

JPRS-LAM-85-096

13 November 1985

# Latin America Report



FOREIGN BROADCAST INFORMATION SERVICE

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

13 November 1985

## LATIN AMERICA REPORT

## CONTENTS

## CHILE

|  |    |
|--|----|
| Internal Debt Situation Said Unprecedented<br>(Gloria Stanley; QUE PASA, 26 Sep 85) .....                            | 1  |
| Balance of Payments, Public Deficit Seen Worsening in 1986<br>(Raul Gutierrez; QUE PASA, 19 Sep 85) .....            | 10 |
| Labor Minister Denies Indifference to Unemployment<br>(Alfonso Marquez de la Plata Interview; COSAS, 3 Oct 85) ..... | 15 |
| Poll Shows None Believes Regime Has Advanced National Status<br>(CAUCE, 17 Sep 85) .....                             | 24 |
| Reputed DICOMAR Informant Held in Case of 3 Deaths<br>(Ximena Barros; QUE PASA, 19 Sep 85) .....                     | 30 |
| Bill Proposes Electoral Redistricting<br>(QUE PASA, 10 Oct 85) .....   | 32 |
| Pension Fund Administration Head on Commission Ruling<br>(Juan Aritzia Matte Interview; ERCILLA, 18 Sep 85) .....    | 34 |
| Magazine Reports on Second Seminar on Political Transition<br>(QUE PASA, 19 Sep 85) .....                            | 42 |
| Historic Motives for Military Intervention Reviewed<br>(Mariana Grunefeld; QUE PASA, 19 Sep 85) .....                | 50 |

## COLOMBIA

|  |    |
|--|----|
| Liberal Central Political Committee Split on Issues<br>(EL ESPECTADOR, 25 Sep 85) .....    | 56 |
| Liberals Propose Decentralization of Industrial Development<br>(EL TIEMPO, 6 Oct 85) ..... | 57 |

|  |    |
|--|----|
| ANDI Head Says Group Not Impressed by Any of 3 Candidates<br>(Dario Fernando Patino; EL ESPECTADOR, 21 Sep 85) ..... | 60 |
| House of Representatives Debates El Cerrejon Paralysis<br>(EL ESPECTADOR, 17 Sep 85) .....                           | 63 |
| Bishops Address Peace Process, Prepare for Pope's Visit<br>(Carlos Alberto Junca; EL ESPECTADOR, 24 Sep 85) .....    | 65 |
| Briefs   |    |
| Poll: Candidates Almost Even   | 67 |
| Changes in Army Command  | 67 |

#### JAMAICA

|   |    |
|---|----|
| PNP Comments on Seaga Reply To Call for Elections<br>(THE DAILY GLEANER, 3 Oct 85) .....  | 68 |
| Details Emerge of PNP Alternatives to Government Policies<br>(THE SUNDAY GLEANER, 22, 29 Sep 85; THE DAILY GLEANER,<br>various dates) ..... | 70 |
| Program Highlights  | 70 |
| Manley Presentation of Plan   | 71 |
| Copy to Seaga   | 74 |
| Seaga Comment   | 75 |
| Stone on PNP Leadership, by Carl Stone  | 76 |
| GLEANER Appraisal, Editorial  | 78 |
| Some JLP MP's May Not Be Seeking Reelection<br>(THE DAILY GLEANER, 1 Oct 85) .....  | 79 |
| Stone Analyzes Political Trends in Recent Polls<br>(Carl Stone; THE SUNDAY GLEANER, 29 Sep 85) .....  | 80 |
| Consumers Group, PNP Call for Boycott of Chicken<br>(THE DAILY GLEANER, 21 Sep 85) .....  | 83 |
| Economic Report Notes GDP Fall, Rise in Trade Deficit<br>(THE DAILY GLEANER, 2 Oct 85) .....  | 84 |
| 1985 Economic Slowdown  | 84 |
| Trade Imbalance   | 85 |
| Jamaican Dollar Continues Slide; PNP Reacts<br>(CANA, 18 Oct 85) .....  | 86 |
| Seaga Explains Reasons Behind Parish Council Cutbacks<br>(THE DAILY GLEANER, 1 Oct 85) .....  | 88 |



|  |    |
|--|----|
| GLEANER Criticizes Seaga's Policy on Media<br>(Editorial; THE SUNDAY GLEANER, 29 Sep 85) ..... | 89 |
| Alpart Alumina-Bauxite Company Continues Layoffs<br>(THE DAILY GLEANER, 21 Sep 85) .....       | 91 |
| Seaga Voices Concern Over, Vows To Fight Protectionism<br>(THE DAILY GLEANER, 21 Sep 85) ..... | 92 |
| Seaga Cites New Legislation To Help Manufacturers<br>(THE DAILY GLEANER, 28 Sep 85) .....      | 93 |
| Hart To Visit Australia for Bauxite-Alumina Talks<br>(CANA, 10 Oct 85) .....                   | 95 |
| Briefs   |    |
| PNP Vice President   | 97 |
| PNP Chairman's Reelection  | 97 |
| Manley Trip  | 97 |
| Wage Pact  | 98 |
| Rural Job Losses   | 98 |
| Rice Mill  | 98 |

#### MEXICO

|                                     |     |
|-------------------------------------|-----|
| Briefs                              |     |
| Lopez-Portillo Occasional Residence | 99  |
| Discontent Among Rail Workers       | 99  |
| New Ford Subcompact Planned         | 100 |

#### PERU

|  |     |
|--|-----|
| Newspaper Urges Economic Development To Counter Terrorism<br>(EL COMERCIO, 3 Oct 85) .....                           | 101 |
| Economic Recovery Measures To Cost 350 Billion Soles<br>(EL COMERCIO, 6 Oct 85) .....                                | 102 |
| Commerce Ministry Officials Discuss Prices, Foreign Trade<br>(Cesar Atala Nazzari Interview; EL COMERCIO, 29 Sep 85) | 104 |
| Gold Seen as Important Factor in Economic Reactivation<br>(EL COMERCIO, 28 Sep 85) .....                             | 109 |
| Methanol Seen as Feasible Alternative to Gasoline<br>(EL COMERCIO, 29 Sep 85) .....                                  | 112 |
| New Oven Cooling System Installed in Steel Plant<br>(EL COMERCIO, 6 Oct 85) .....                                    | 114 |

Briefs

|                                      |     |
|--------------------------------------|-----|
| Marines Reportedly Kidnap Women      | 116 |
| Prime Minister on IMF Position       | 116 |
| Recent Governmental Appointments     | 116 |
| Massive Employment Program Initiated | 117 |

ST VINCENT AND THE GRENADINES

Briefs

|                    |     |
|--------------------|-----|
| World Bank Support | 118 |
|--------------------|-----|

CHILE

## INTERNAL DEBT SITUATION SAID UNPRECEDENTED

Santiago QUE PASA in Spanish 26 Sep 85 pp 30-35

[Article by Gloria Stanley, collaborating with Grace Gibson]

[Text] "I owe, you owe, he she it owes. We owe, you owe, they owe . . ."  
The verb conjugation that a grade school student repeats without great effort has become a difficult exercise for thousands of Chileans to assimilate into their daily lives. Office workers, bankers, merchants, farmers, housewives, all are concerned about a single thing: not being able to meet their obligations.

The government made a tremendous effort, first in 1983 and again in 1984, to renegotiate the debts. This endeavor succeeded in alleviating, at least for a while, the severe pressure that various sectors of the economy were feeling. Now, however, the high interest rates, the voluminous liabilities that businesses must contend with, and the sluggish activity that has characterized the second quarter of this year, have once again placed the issue of the debt and the possibilities of successfully managing it in the limelight of controversy.

Two important meetings in the business sector (the Consultation of the Established Retail Trade Confederation and the Congress of the Confederation of Truck Owners) this week will take the wheel of a car which, before the National Holidays, had set out on a dangerous and fast course.

It should be recalled that on 24 August, 250 small and medium-sized producers of Regions IX and X, represented in the Committees for the Reactivation of Southern Chile, signed the "Declaration of Pucon" and called for a legal moratorium on all the debts of the sector, be they "with banks, finance companies, the Production Development Corporation (CORFO), the Agriculture and Livestock Development Institute (INDAP), the former Agrarian Reform Corporation (CORA), AFP [expansion unknown] or other credit institutions." At the meeting in Pucon the debtors called for the end of the UF ["unidad de fomento"] a new system for calculating debts, and the elimination of the "penecas verdes," since non-payment is not the sole responsibility of businessmen. The final declaration calmed the agitation that prevailed during the meeting, where many called for a march from Arica and Puerto Montt to

Santiago (in anticipation of the national strike?) or for a limitation of debt payments to 10 percent, in the best "Alan Garcia" style.

The small and medium-sized producers of the southern region were not the only debtors in the country to raise their voices last August. On 28 August, hundreds of truckers blocked the Southern Longitudinal Highway at the San Francisco de Mostazal weigh station, 57 kilometers from Santiago. Days earlier, taxi drivers had staged a work stoppage, demanding the annulment of legal actions taken against delinquent taxi drivers. Retail traders, with their 13 regional federations and hundreds of members, including supermarkets, stores, restaurants, elegant boutiques and "mom and pop" groceries, had already declared a state of mobilization and alert to seek solutions to the "crisis that is plaguing the country." The president of the federation, Elias Brugere, called his sector's debt (which totals 272 billion pesos) a "huge disaster."

More quietly, but just as fearfully, other associations were also taking action on the indebtedness problem. The National Agricultural Association (SNA) expressed its concern to the minister of agriculture, and announced that it was working with the government to seek solutions for this sector. Meanwhile, the Industrial Development Association (SOFOFA), through its Economic Affairs Committee, was drawing up a detailed report (which it has kept in strict secrecy) on the degree to which businesses are in debt and possible solutions.

How big is the debt problem in the final quarter of 1985? Is the situation manageable or not? Who is affected most? Are there "viable" alternatives? What will happen when the grace periods agreed upon in the numerous reschedulings begin to expire during this last quarter?

These are disturbing questions about a matter that will heighten tensions over the coming months. Given the severe limitations on spending and budget deficits that were agreed to in the negotiations with the International Monetary Fund (IMF), it appears that the solution will not be easy.

#### Anxiety for Big and Small

"Chile is laboring under a gigantic internal and external debt that is unequalled in magnitude in our entire history, in terms of both amount and the number of people affected," states the latest report of the ECONOMIC AND FINANCIAL SURVEY published by economist Enrique Davila.

This assertion is backed up by the statistics: Counting the new credit extended as a result of the recent renegotiation, Chile's foreign debt today exceeds \$23 billion, \$4 billion more than last year's Gross Geographical Product (GGB). Domestically, according to the ECONOMIC AND FINANCIAL SURVEY, the debts owed by economic agents (of all levels) to the financial system amount to more than 60 percent of the GGB. This figure is absolutely astounding, considering that in 1976 the debt amounted to 8.9 percent of the GGB (see chart).

The problem of indebtedness in Chile seems to be a "universal ill" that has no regard for social status or income level; the only thing that changes is "how much is owed."

According to a recent report, more than 1.5 million people owe nearly 130 billion pesos. These are Chileans who owe their dividends, their light, water and telephone bills, their payments on the television and the washing machine, their contributions. For these men and women, the word "UF" represents a veritable nightmare. Although they account for only 20 percent of the total internal debt, the number of people involved poses a great challenge to government officials.

The rest of the debt is primarily owed by production sectors (industry, agriculture, mining, construction), service sectors (transportation, commerce, public enterprises) and the financial sector. They represent 80 percent of the entire domestic debt. According to SOFOFA calculations, this debt amounts to 2 trillion pesos.

The ECONOMIC AND FINANCIAL SURVEY report indicates that the business debt, despite the rescheduling, has been growing recently. According to a study of 114 corporations that trade shares on the Stock Exchange, which was conducted in the first quarter of 1985, the debt has taken a disturbing turn. The total debt rose by a real 30.4 percent, and the ratio of assets to liabilities dropped from 0.52 percent in June 1983 and 1984 to 0.43 percent in June 1985. In the short term, according to these figures, the debt-capital ratio rose by 1.30 percent. The explanation for this trend lies in the sharp decline in the assets of these businesses during the period in question.

For the Santiago Stock Exchange, the decline in assets was due principally to the losses suffered during the period. In the second quarter, these losses averaged 706 million pesos per company. The losses are due, in turn, to the June devaluation and the elimination of the preferential dollar.

Economist Enrique Davila feels that the situation has become "serious," and claims that "quick solutions, including the capitalization of debts," are needed.

#### Ratio of Loans to PGB

| Year | Loans as % of PGB |
|------|-------------------|
| 1970 | 8.5               |
| 1974 | 5.0               |
| 1976 | 8.9               |
| 1979 | 37.9              |
| 1980 | 52.2              |
| 1981 | 57.1              |
| 1982 | 85.9              |
| 1983 | 77.6              |
| 1984 | 61.2              |

Source: Prepared with data from the Superintendancy of Banks. Calculation includes portfolios sold to the Central Bank.



## Resources Go to Pay Debts

The same threatening situation of rising debts is perceived by economist J. Ricardo Massmann, of the University of Chile Economics Department. In a recently published report on the financial plight of corporations, he points out that all the production sectors show nominal increases in their debts, except for the maritime sector. In his analysis, the economist reaches important conclusions:

--The sectors have resorted to more financing by third parties to keep up their levels of activity, a situation that has been promoted by the renegotiations permitted by the government. As a result, in the first quarter of this year the debt component of these corporations' capital structure gained ground, prompting fears that certain sectors may not be able to keep up their level of activity without help from the government in the form of interest subsidies.

--The main use of funds during this first quarter of 1985 was to pay long-term debts, with the exception of the mining sector, construction, finance companies, clinics, schools, sports, and investments. Massmann believes that this trend will become more important in the final quarter of 1985, when the grace periods of the successive renegotiations begin to expire.

--The installed capacity of the sectors in question fell between 1984 and 1985. There was also a decline in working capital during the first quarter of 1985.

--Cash flows appear to be insufficient in many sectors to meet obligations to creditors unless economic activity picks up.

The analysis by the University of Chile Economics Department agrees with the conclusions drawn in the SOFOFA report. Although SOFOFA notes that some sectors have grown, such as agriculture and some areas of industry, it states that "the problem of the country's business debt is really not resolved."

The causes, according to businessmen, boil down to four factors: 1) since the reschedulings in 1983 and 1984, many businesses in all sectors have faced less favorable objective situations than had been projected when the reschedulings were approved; 2) the recent devaluation and drastic limitation of the preferential dollar benefits represent a worsening of the indebtedness problem for all debtors who have liabilities in foreign currencies; 3) approximately 900 debtors, the largest and most important firms in the country, have not been able to solve their problems sufficiently well; and 4) all the businesses that contracted direct credit abroad, except for those that declared suspensions of payments, have been unable to reschedule their debts.

## Rescheduling: Into Thin Air

The financial crisis, which began in 1981 with the collapse of CRAV [expansion unknown] and the intervention in several banks and financial institutions, and then heightened in 1982 with the devaluation of the dollar from its



longstanding rate of 39 pesos, caused the government in early 1983 to take a series of measures to aid those with dollar debts and also financial institutions.

On 12 April, at the initiative of Minister Carlos Caceres, the Central Bank issued Agreement 1507, establishing a system for financing the financial institutions. The purpose of this instrument was to help these institutions reschedule the obligations of their productive debtors. Other initiatives followed: in June of that year, Agreement 1517 set in motion a refinancing system for credits granted on short-term mortgage bonds. While implementing these debt rescheduling mechanisms, the government also established special lines of credit to revitalize the economy (Agreements 1464 and 1523).

Although the debtors gained some relief from their commitments, the reschedulings soon proved insufficient, which forced the government to provide new formulas for assistance. Agreement 1578 broadened the production debt rescheduling schemes that had been established, and authorized dollar debtors to transfer their debts to UF (de-dollarization). Later, Agreements 1583 and 1517 expanded the benefits of rescheduling to mortgage debts. Finally, Agreement 1581 included consumer credit in the rescheduling.

Of all the rescheduled debts, 62.8 percent corresponded to production debtors, 36.1 percent to mortgage credits, and 1.1 percent to consumer credits. Of 36 entities that operate with consumer credits, only 10 took advantage of the measure. Of the remainder, some rescheduled with their own resources, or under conditions established for production credits. Only 6 percent of the rescheduled production credits corresponded to those with foreign currency debts. This was because of the de-dollarization of debts, which began in September 1984 and reached a total of \$1.4 billion.

The question seems obvious. What happened to the benefits of the rescheduling? Why, just a few months after they were granted, did the debt burden once again weigh down on businesses, even more heavily this time?

The answer had already been given in mid-1984 by economist Jose Pablo Arellano of the Economic Research Corporation of Latin America (CIEPLAN). He claimed that the success of the rescheduling effort would depend on keeping growth rates higher than 5 percent in the national economy. According to unofficial figures, economic growth during the first half of 1985 was far from fulfilling the expectations of economic authorities, and barely reached 1.5 or 2.5 percent.

#### Aggravating Factors

In addition to the lower growth rates, other factors have contributed in recent months to the heavy burden on debtors. One of them is the rise in inflation, which in the last 12 months climbed above 35 percent. That also made the UF climb to the same level. Another factor is the increase in rates for services and those charged by public enterprises, above the consumer price index (IPC).

According to the studies conducted by urban researcher Carlos Albrecht, between 1981 and December 1984 the increases in rates for public services exceeded all calculations. The value of a cubic meter of drinking water rose by 65 percent; the charge for sewer maintenance climbed by 145 percent; the value of a kilowatt/hour rose by 75 percent; postal rates soared by 100 percent; public transit fares went up by 75 percent; and gasoline skyrocketed by 162 percent. The rise in fuel costs has driven down consumption considerably. According to figures compiled by the Association of Fuel Distributors (ADICO), between September 1984 and August 1985, service station sales dropped by 15 percent.

But the slump in economic activity has had repercussions in all sectors. Merchants are able to measure the market's behavior most quickly, and they just happen to be the most severely damaged. According to the president of Retail Trade, sales between May and June plummeted by 18 percent, and up to 40 percent in some sectors. The holiday on the 18th did not do much to cheer up merchants, either. According to their leaders, sales were not as high as expected, and showed a downward trend. Their projections indicate that the near future holds little promise.

Industrial sales, according to SOFOFA, are "stagnated." Although they picked up by 5.3 percent in July, the cumulative index for the January-July period shows a decline of 1.3 percent. Of the six categories into which the industrial production index is broken down, four showed decreases compared to July of last year: durable consumer goods (-11 percent), transportation materials (-13.2 percent), intermediate goods for construction (-1.7 percent) and various manufactured goods (-7.7 percent). Increases were registered in regular consumer goods (5.8 percent) and intermediate products for industry (4.1 percent).

#### Capitalization of Debts?

The arrival of Juan Carlos Delano (former president of the Central Chamber of Commerce) at the Economy Ministry has raised the hopes of business associations.

Aware of the expectations surrounding his actions in that high office, Juan Carlos Delano began to push the idea of debt capitalization within the economic team. Basically, the proposal consists of an agreement between debtor and creditor to turn the amount of the debt (or part of it) into new capital of the indebted firm. This means an automatic loss of assets for the debtor, but it also overcomes a barrier that is impossible to penetrate using normal channels, given the current situation. The creditor institution, for its part, acquires greater security on a problem loan. And from the accounting standpoint, both the debtor and the creditor are in a better position.

The idea is not entirely palatable to businessmen, however. The main reason is that they do not want to tie up their assets any more than they already are because of the excessive indebtedness. They argue that a fairer solution should come through lower interest rates, because when the loans were taken out, interest rates had not reached the astronomical levels of recent years.

Citing "ethical" considerations, the businessmen propose a retroactive assessment of the excessive amounts they have already paid due to high interest rates, with the resulting amount being credited toward the original debt. The balance of the debt would be paid with revised, lower interest rates, if possible the traditional rates that prevailed in this country: no higher than 5 or 6 percent.

While the idea of capitalizing debts is being discussed, some associations (the farmers, for example) have begun to negotiate their solutions according to the "case by case" formula. Others, in contrast, have already stated that the solution is insufficient.

After a luncheon meeting with the finance minister's cabinet chief, Cristian Larroulet, the vice-president of the Sole National Confederation of Small Industries and Crafts (CONUPIA) asserted: "I told Mr Larroulet very bluntly and frankly of the real plight the sector faces, and the impossibility of a 'case by case' renegotiation for these small debtors, considering the individual amounts of their debts and the fact that they have little or no bargaining power with the banks. For this reason, the sector needs another kind of renegotiation, as soon as possible."

The "other solutions," in the view of many sectors, refer to new large-scale renegotiations, or to the end of the UF.

The experts, however, do not feel that these two methods would be easy to put into practice. In the opinion of economist Enrique Davila, the restrictions agreed to in the pact with the IMF leave the government little room for any large-scale negotiations, and make reschedulings such as those of 1983 and 1984 very unlikely.

With regard to the UF, the delay that has occurred since the announcement that it would be replaced with the Remuneration Index Quota (CIR) indicates to Davila that the economic team is deliberately stalling on the issue. His prognosis is negative: "It appears that it will not be this government, certainly not this economic team, that agrees to eliminate the UF as a mechanism for indexing debts. The official response will continue to be negative, accompanied by the argument that the way to fend off attacks on the UF is to lower inflation and revitalize the economy, thus improving people's incomes."

The question that arises, and that economic officials will probably not be able to avoid at the end of the year (when the "Indian summer" of the grace periods ends for the rescheduled debtors), is: What will happen when the UF debts continue to rise along with the spiraling IPC, and private individuals are unable to pay because their income is frozen, and businesses cannot respond to their creditors because they cannot continue to pass this burden along to their customers? The answer to this question will depend on how much pressure the production sectors exert and how the economic team copes with the situation.

## Distribution of Debts

| Sectors                    | Debt in Billions<br>of Pesos |
|----------------------------|------------------------------|
| Financial System           | 303.043                      |
| Industry                   | 272.593                      |
| Commerce                   | 272.179                      |
| Agriculture                | 187.442                      |
| Construction               | 119.889                      |
| Transportation             | 54.306                       |
| Mining                     | 33.928                       |
| Electricity, Gas and Water | 8.247                        |
| Total                      | 1,251.627                    |

What Solutions Are Proposed? A variety of proposals have emerged from different sectors, to deal with the private debt problem.

Hermogenes Perez de Arce: "Aid Should Be for the Poorest"

Economist Hermogenes Perez de Arce proposes a drastic change in the way the government allocates resources.

More than 500 billion pesos (\$2.5 billion) has been transferred in the form of aid to banks and their debtors. This is because the pressure groups that have the most access to the government and the most influence on it are not the poor.

If that 500 billion pesos, in Hermogenes Perez de Arce's opinion, were channeled directly into employment programs, activity levels would have fallen by much less, and the additional buying power would have helped trade, industry and construction solve their difficulties better. They, in turn, could have paid the banks.

The reason is simple, says the economist. If bankers and businessmen--to whom they give money--have no confidence, they buy dollars; if that money is given to the unemployed and hungry, they do not buy dollars, but rather go out and buy food, clothing and shoes, and build things. Therefore, they are a source of reactivation.

The answers to the rising indebtedness problem are: exchange and tariff stability, moderation in tariffs on the inputs that affect production costs, passing on to Chilean consumers any fuel price reductions, and using any credit instrument available to help the poorest unemployed. By stepping up their demand, domestic production can be strengthened and businesses will be able to generate profits to pay their obligations.

The possibility of new government aid for debtors, according to Perez de Arce, is subject to the macroeconomic program agreed to with the IMF. That program calls for the expansion of domestic credit for different sectors, and if such credit is granted, in his opinion, it should necessarily be channeled to the lowest-income sectors, who are out of work and need assistance the most.



Francisco Javier Errazuriz: "Transfer Benefits from External Renegotiation to Chileans"

The problem of the debt, in the view of National Bank President Francisco Javier Errazuriz, is primarily attributable to the government and not the private sector, since it is rooted in the mismanagement of the exchange rate.

This banking entrepreneur believes that the solutions undertaken since 1982 have not been appropriate, because they have simply delayed payment periods. In this way, he indicates, the economic agents that realize they will be unable to pay when the grace periods run out simply do not produce and do not invest in their businesses, because they feel that either the businesses no longer belong to them, or they could be seized by the banks at any time. "If the rescheduling of the debts has not been an adequate solution, it can only mean that it has been poorly done, unless the idea is to 'liquefy' liabilities through inflation."

To achieve the payment of the debts, Francisco Javier Errazuriz advocates that the benefits the Central Bank has obtained by renegotiating with the international banks be passed on to businesses and individuals. "It is well known that the Central Bank is not paying any principal to foreign creditors at this time, and is only paying part of the interest. Through the commercial banks, however, it is collecting from Chileans those same funds that it is not paying abroad. In this way, since 1982 there has been an increasing flow of resources from the private sector to the public sector, which has progressively expanded the size of the state," states the businessman.

Specifically, he proposes a new rescheduling in which 50 percent of businesses' liabilities, without exception, would be paid only when the Central Bank makes such payments abroad. The interest on this portion of the debts should be paid, he says, only to the extent that the Central Bank pays its interest to foreign banks. If this plan is followed, according to Francisco Javier Errazuriz, Chileans will understand that if they do not export, they will never be able to pay off their debts. And when the Central Bank collects, it will have a moral right to do so, because it will have the dollars to pay its external obligations, which is not the case today.

"If this happens, it will mean that one more Chilean will have the pesos produced by his exports. Thus, collections will not result in social losses, unemployment and recession, as they do now. In other words, losses will not occur in the economy, but ownership will simply be transferred to those who make the greatest effort to produce. Today, in contrast, the debt phenomenon tends to lead to a massive transfer of assets to the state, which will capitalize the businesses after decapitalizing them, and will finally try to spread their ownership among the public. All this reminds me of the so-called 'Non-Capitalist Road to Development' promoted by the United Popular Action Movement (MAPU)," he concludes.

8926

CS0: 3348/87

CHILE

## BALANCE OF PAYMENTS, PUBLIC DEFICIT SEEN WORSENING IN 1986

Santiago QUE PASA in Spanish 19 Sep 85 pp 30-32

[Article by Raul Gutierrez]

[Text] Because of the influence they have and will continue to have in the foreseeable future on the economy of the country and Chileans, it would be advisable to have a periodic publication of bulletins similar to weather forecasts concerning trends in the deficit in the balance of payments and the public sector. These two gaps (as they are called by those with a precarious mastery of Spanish) affect unemployment and the evolution in levels of productive activity and, consequently, employment and public spending and investment. In the final analysis, they also influence the welfare and material expectations of the population.

The agreement made with the IMF anticipates a deficit on the order of \$1.4 billion in the current account, which would be compensated for by receipts of similar magnitude in outside resources in the capital account. (The table below presents the breakdown of the balance of payments.)

A very important element in the current account is the trade balance, in which it had been hoped that there would be a surplus of over \$1 billion this year. However, when Minister Buchi announced his "financial package" for 1985-1986 at the end of June, it was already obvious that the aforementioned surplus would not exceed \$700 million, mainly as the result of the poor behavior of exports and their prices.

The evaluation of the Situational Workshop of the Department of Economics of the University of Chile: "Despite the fact that the behavior of the trade balance during the first half of the year was not as good as expected, it is highly likely that the overall goal (of the balance of payments) may be met without any need to introduce substantive adjustments the second half of the year. Actually, the recent rescheduling of foreign debt deadlines implies some relief in the payment of interests for this year, plus receipts higher than anticipated in the capital account."

For the consulting firm Gemines, on the other hand, "it is not evident that the financing of the balance of payments is now a problem overcome." In the most recent of its periodic reports, it states that while one can now view as



certain the payment of the nearly \$1.1 billion pledged by creditor banks and international organizations, there is still doubt about whether it will be enough to meet the tight macroeconomic program for 1985. The "tight" label is undeniable, for at this point in the year, it does not seem likely that the program will result in growth in the product of over a meager 1 percent.

The Gemines report analyzes the main "deviations" that have gradually shaped up in certain crucial areas of the balance of payments, with respect to what was programmed with the IMF. The most important element, undoubtedly, is the one seen in the trade balance. The surplus will not reach even 70 percent of the projected figure, as a result of which it will be necessary "to finance" some \$350 million not contemplated. The figure goes up to nearly \$400 million if one considers that foreign investments will also be far under what had been anticipated. This fact concerns authorities, whence their determination to modify Decree Law 600 and attract more capital. The report warns, in this connection, that the capitalization of credits by foreign creditors is not the same thing as foreign investments, since it does not actually constitute a net flow of foreign exchange.

What have the authorities said about this failure to abide by their program? They have actually not been very specific about how they will now proceed. Through indirect estimates, it is known that some \$50 million to \$70 million would come into the country in the form of insurance premiums to cover damage caused by the March earthquake. Gemines calculates that the drop in international interest rates below what had been anticipated will make it possible to reduce the service on the debt by \$80 million to \$90 million. "Consequently, these two favorable elements will on the whole make it possible to compensate for some \$150 million of the \$350 million that would be lost in the trade balance." And how would the remaining \$200 million be covered?

It would be necessary to resort to the reserves of the Central Bank, but this would mean not meeting the goal envisioned in the agreement with the IMF, which had already been lowered. Actually, in the beginning, the country was required to increase its reserves by \$80 million, reserves that had been declining for the past several years. In the negotiations of the financial package announced in June, the goal was postponed until 1986.

Based on Gemines estimates, during the first 8 months of this year, the country reportedly lost reserves amounting to some \$870 million. In the months ahead, with the arrival of credits from the World Bank and creditor banks, it would recover some \$840 million. During the last quarter, in other words, it would have to find another \$30 million on its own, "which does not appear to be an easy task."

The situation is fully manageable by virtue of the availability of outside resources, says the Situational Workshop. "A new adjustment during the remainder of the year would therefore not be meaningful." Gemines does not say that it is unmanageable (although some \$200 are still needed), but it does warn that if the overall picture shows that "the authorities cannot have free rein with respect to reactivation." As during the first half of the year, growth in the product was reportedly over 2 percent and during the second half of the year, the level of internal activity would again suffer the effect.

## Public Gap

With respect to the public sector, the goal set forth in the agreement with the IMF -- the amount of the deficit must not be greater than 3.5 percent of the product -- will not be achieved, despite the drastic cuts made (many are suffering from them) in disbursements. Projections put the deficit closer to 4 percent, despite harsh measures adopted during the early months to bring it down. What is worse, in the opinion of analysts, is that the first 6 months was one of relative relief. Pressure would therefore come during the second half of 1985. A recent report by Aninat, Claro and Mendez, consulting partners, said that by the second half of the year, one could anticipate a reduction in real fiscal spending, rate pressures from national enterprises and greater financing of the public deficit on the domestic market.

One recourse that the public sector is utilizing in the arduous task of reducing the deficit is informal indebtedness. This measure is well-known to suppliers of Ministry of Health hospitals, to whom, according to the document in question, between 600 million and 1 billion pesos are owed. The Aninat, Claro and Mendez report: "This situation would be a reflection of friction within the government stemming from allocations of post-earthquake spending." One can imagine each minister defending his ministry's budget with tooth and nail, so as to prevent additional cuts. Struggles here "might grow worse during the remainder of the year, resulting in a drop in investments and overall real spending, as well as increased internal indebtedness of the public sector."

The picture looks even gloomier for 1986, just around the corner. According to the agreement with the IMF, the public sector's deficit would then have to be reduced to 1.8 percent of the GNP, less than half of that registered in 1985, and completely disappear in 1987! Aninat, Claro and Mendez: "If the major economic issue this year was the agreement with the creditor bank, the one now emerging and that will be completely in the open in 1986 will be that of the public deficit."

This prediction does not take into account the fact that balance of payment projections for 1986 now appear to be afflicted by a heavy dose of lack of realism. Presuming a fairly favorable international shift, the outside financing pledged would only permit an expansion of some 2 percent of the product, following the extremely poor result this year.

It would then appear that these two gaps will finally break up the financial package that it took so much trouble to put together. This is a prediction which, as such, is subject to contingencies, but which is nevertheless quite possible.

## Impossible \$4.5 Billion

According to the stipulations of the agreement with the IMF, Chile would have to go it alone this coming year in obtaining the over \$4.5 billion needed in exports. This figure is nearly 15 percent higher than the one projected for 1985.

Balance of Payments 1985 (in millions of dollars)

| BALANZA DE PAGOS 1985 <sup>a</sup><br>(Millones de dólares) |                              |   |
|---|------------------------------|---|
|   | Proyección<br>oficial-FMI 1) | Estimaciones<br>ajustadas <sup>b</sup> 2) |
| Cuenta corriente 3) 4)                                      | - 1.380                      | - 1.360                                   |
| Balanza comercial   | 1.035                        | 700                                       |
| Exportaciones 5) 6)   | 3.950                        | 3.750                                     |
| Importaciones   | - 2.915                      | - 3.050                                   |
| Servicios no financieros 7)                                 | - 460                        | - 400                                     |
| Servicios financieros 8)                                    | - 2.060                      | - 1.760                                   |
| Transferencias 9) 10)                                       | 100                          | 100                                       |
| Cuenta de capitales 11)                                     | 1.460                        | 1.240                                     |
| Inversión extranjera 12)                                    | 125                          | 80  |
| Créditos netos 13)  | 1.340                        | 1.160                                     |
| Organismos internacionales 14)                              | 540                          | 540                                       |
| Proveedores 15)   | 230                          | 250                                       |
| Dinero fresco 16)   | 1.155                        | 835                                       |
| Corto plazo 17)   | - 40                         | -   |
| Amortizaciones no reprogramables 18)                        | - 545                        | - 460                                     |
| Saldo 19)   | 80                           | - 120 <sup>c</sup>                        |

<sup>a</sup> Cifras aproximadas en cada ítem, por lo que los totales pueden no coincidir. 19)

<sup>b</sup> De la consultora Géminis. 20)

<sup>c</sup> Tendría que cubrirse con pérdida de reservas. 21)

Key:

1. IMF Official Projection
2. Adjusted Estimates
3. Current account
4. Trade balance
5. Exports
6. Imports
7. Nonfinancial services
8. Financial services
9. Transfers
10. Capital account
11. Foreign investments
12. Net credits
13. International organizations
14. Suppliers
15. New money
16. Short-term
17. Nonreprogrammable amortizations
18. Balance
19. Approximate figures for each item, meaning that totals cannot add up.
20. From Gemines
21. Would have to be covered with loss of reserves.

Export receipts this year, however, will be about 5 percent under estimates. Furthermore, new adjustments lead one to think that the difference will be even greater. As a result, meeting the goal set for 1986 would imply an increase on the order of 20 percent of exports over their real level this year, a spectacular leap!

Nevertheless, the high level of the rate of exchange, the lack of any strategy worthy of the name regarding export promotion and the time it would take to bear fruit makes achievement of the goal scarcely likely.

It could be met only if the price of copper would enjoy a substantial and sustained increase. Unfortunately, most experts agree that the low price of the red metal -- which continues to make up most of the country's foreign sales -- obeys a structural rather than circumstantial phenomenon, meaning that one should not harbor exaggerated illusions.

#### Unanswered Petitions

When one examines the figures and projections concerning the public sector, it is inevitable that one will end up shaking one's head over the petitions being formulated by different employers unions aimed at gaining a new renegotiation of their debts.

Granting such requests would force the government to give up the program agreed upon with the IMF, which seems scarcely likely at least in the case of the current authorities.

On the other hand, one can understand what is happening with the rates of certain national enterprises that provide public services. They are required to maximize their surpluses in order to turn them over to the treasury, which urgently needs them in order to reduce its deficit.

If there were greater transparency of information and explicit recognition by the authorities of the gravity of the public sector's budget situation, one would avoid such inelegant maneuvers as the establishment -- now by government authorities -- of telephone rates at a level similar to those previously prevailing, after it was shown that it was excessive for the state monopoly to arbitrarily set them.

11,464

CSO: 3348/24

CHILE

## LABOR MINISTER DENIES INDIFFERENCE TO UNEMPLOYMENT

Santiago COSAS in Spanish 3 Oct 85 pp 6-8

[Interview with Labor Minister Alfonso Marquez de la Plata; author, date, time and place not given]

[Text] As I was preparing for this interview, I tried to form a mental image of Alfonso Marquez de la Plata. To be honest, it was quite favorable to this labor minister. Journalists have treated him with esteem in past interviews, almost with affection. "Perhaps one of the characteristic features of his personality is the straightforward and polite way he treats people," said Maria Eugenia Oyarzun. Raquel Correa called attention to "his clear, laughing blue eyes," and added that "he is one of the most optimistic and enthusiastic men one can encounter in life." This same optimism is what Rosario Guzman Errazuriz defined as "invincible," saying that "there is no way to plant the tiniest seed of doubt or reservation in him." Elizabeth Subercaseaux gave him two "sevens" in an interview conducted in February of this year: "One for his attitude toward the press ( . . . ) and another for his optimism, which is particularly impressive during these times when there is too little love and too much pain." A radio journalist told me, moments before my departure, that he was "kind." This was how I arrived at his office on Calle Huerfanos: with my tape recorder and questionnaire under my arm, and a tremendous curiosity.

From the sixth floor of the Ministry, where his office is, Santiago looks grey off toward the west-central district. A little sad, to tell the truth. But the sadness dissipates when the minister appears. He has such an open and direct smile, such a warm handshake and such an attitude of "let's get down to business," that he appears to be about to roll up the sleeves of his impeccable white shirt and get to work right then and there.

Married to Maria de la Luz Cortes and the father of two children, at 52 Alfonso Marquez de la Plata already has three ministerial posts under his belt: agriculture, general secretary of government, and for nearly a year now, labor and social welfare. As is his habit, he works with "open doors," receiving everyone.

With regard to his already legendary optimism, he indicates that it is a way of viewing life: "There are always good times and bad times. There are times



when we have problems, and times when things turn out well. And it is in those difficult moments that we must struggle to overcome . . ."

[Question] And are we going through difficult times, Mr Minister?

[Answer] I think that if we compare this country to what is happening in the rest of the world, Chile looks like a veritable island. When we see the kind of terrorism that exists in other lands, we realize that it exists here, but it is kept to a minimum thanks to effective government action . . .

[Question] But the bombings of supermarkets, downtown businesses and power pylons are here, in Chile . . .

[Answer] There is no doubt that there is destructive action, but, for example, what is happening with the Shining Path in Peru, where entire towns are wiped out, is an answer for those who think that a simple change of government can mean the end of terrorism. When terrorism is accompanied by a totalitarian philosophy, as in the case of the Marxist brand, which wants to destroy society, then it is no longer a matter of changing governments. The terrorists will probably stop acting the way they are when the country is dominated by their system. And I do not think anyone is willing to accept that, because no one wants to be a slave for the rest of his life.

[Question] So it is a problem that neither this nor any other government will be able to solve?

[Answer] No, what I am saying is that the way this government is facing the problem is the only realistic and valid way.

[Question] And how is this government facing the problem?

[Answer] The government has used all the tools that the Constitution gives it, and some people seem to have trouble understanding this. There are those who argue about the enforcement of Transitory Article 24, regarding exile or banishment, but these measures, though painful, allow for the rest of us Chileans to live together.

[Question] And how many just people are paying for sinners with these measures, Mr Minister?

[Answer] What other solution can you suggest? Let's be realistic. The first obligation the government has is to maintain public order so that we can live in peace in this country.

Unemployment: First Priority

[Question] What is the principal mission of a labor minister?

[Answer] In all of labor law, labor is considered the weaker element in labor-management relations. Thus, in one way or another, the government must provide the tools so that this relationship can be balanced adequately. These tools are provided through labor legislation.



Along with this, the government must take action to resolve situations of friction. In some businesses, sometimes certain problems arise due to a lack of communication, a distance between the two sides; for this reason we are advocating a better understanding between employees and employers. The president of the republic made an appeal in this regard on 11 September. A prize will be given to the company that has the best labor-management relations. The Ministry's team is also traveling constantly to different regions to engage in direct contact with the workers, without affecting our open-door policy. When a labor union leader comes to this Ministry, he will always be dealt with even if he does not get a meeting with me. There will always be someone to listen to him.

[Question] And do the workers, the labor leaders, come to talk to you?

[Answer] I hold meetings every once in a while . . . There is a constant dynamic.

[Question] And who poses the greatest problem for the Ministry, the employed or the unemployed?

[Answer] The principal problem in the world today is unemployment. It is not a Chilean problem; it is a worldwide problem.

Chile has 13.1 percent unemployment today (says the minister, showing some news clippings); Holland has 15.7 percent, England 13.2 percent, and Belgium 13.5 percent. In other words, there are three important industrialized countries whose jobless rate is higher than ours. This information comes from EL MERCURIO, whose source is "Reuters Monitor." There are 32 million jobless workers in Europe . . .

[Question] But being unemployed in Europe is quite different from being unemployed in Chile . . .

[Answer] Undoubtedly, the richer the country, the better off are the unemployed. But that has no bearing on the magnitude of the unemployment problem.

The government has been coping with this problem pragmatically, as proven by the fact that despite the persistence of the world economic crisis, we have managed to bring down jobless levels gradually. There is no doubt that we cannot be satisfied with this, and for this reason all of the government's actions have been geared to solving this problem. Real and practical solutions . . .

[Question] Unemployment is having a major impact on the violence that can be observed in certain sectors of Santiago . . .

[Answer] Let's not confuse unemployment with violence; the jobless worker is not violent.

[Question] But the hopeless worker is . . .

[Answer] Wait a minute. The vast majority of people in this country want to live in peace. The problem is that there are some who have chosen the profession of destroying other people's property and living off robbery. They provide fertile ground for the activists. The union between the activist and what has been called the "lumpen" is what causes this type of situation. The government has tried to confront unemployment by creating more jobs and establishing a very complete social network, which includes breakfasts for school children, family allocation subsidies (such as the SUF [expansion unknown]), and other plans such as the Minimum Employment Program (PEM) and Job Program for Heads of Household (POJH). It may be said that this is not very much, but in fact, the reason there is not more is that we have no more funds. It is not that the government does not want to do more; it simply cannot do more. There is no indifference to this problem, which the president regards as one of the most serious at this time.

### Strike and Protest

Marquez de la Plata says that "major progress has been made with respect to unionization." He adds, "Never before in Chile has there been a more automatic way of forming a union. At this time, 25 people get together, form a union, and the only thing they need is a justice of the peace. They do not even need to go to a labor inspector; they can go to a notary. This prevents any resurgence in a future government of the pressures that used to exist, in the sense that "this union is against the government, so we will not send the inspector out . . ." Merely by submitting and depositing the Labor Inspection, they automatically are granted moral personality, which never before happened in our country's labor history. That is why I say that the freedom to form unions is unique. In addition to that freedom, no one can be forced to join a union. Let's assume we have a company with 200 workers and a union. There are probably some who are unhappy and want to form another. They have a perfect right to do so . . .

[Question] And what influence do eight unions, each with 25 members, have on a company of 200 employees?

[Answer] No worker is forced to form that many unions. If they see that they are becoming weakened by that situation, they can combine the unions and form a new one.

[Question] What bargaining chips do the workers have today?

[Answer] That is quite an extensive subject for an interview. There is a whole negotiation procedure, all the way up to calling a strike; there is a series of steps . . .

[Question] A strike that cannot last longer than 30 days . . .

[Answer] Sixty days . . .

[Question] Sixty days; during which time replacements can be hired . . .

[Answer] Sure. The thing is, we must maintain a proper balance. Strikes that go on forever often mean that problems will never be solved. The system in the United States, for example, allows not only for the hiring of replacements, but also permanent employees.

Now, on this matter, you should also listen to the employers. They claim that this measure is absolutely unworkable, because people cannot be replaced; a skilled worker cannot be created overnight. That is the bargaining chip the worker has: his own ability.

[Question] Is the strike a form of protest?

[Answer] I see no relationship between a strike and a protest. The former is an absolutely legal mechanism that is established by legislation and is a legitimate way for workers to bargain; the latter is an illegal, arbitrary act that is normally accompanied by intimidation and violence. If you do not like something, there are much more rational ways of expressing that feeling . . .

[Question] Such as . . . ?

[Answer] If you disagree with something the government is doing (because the protests are against the government), there are rational means of expressing it. The right to petition is legitimate and permanent . . .

[Question] But Mr Minister, what about the man who lives in La Victoria, in impoverished circumstances, with no job. If he complains, they accuse him of being a communist. To whom can he go with his right to petition?

[Answer] There is a local authority, a mayor who, if they allow him to enter the neighborhood, I am sure will talk with people and try to solve their problems. There is a whole network of people to whom any individual has access.

[Question] They probably do not have confidence in that network of people.

[Answer] No; let's not get into that. If people use these violent methods, it is because they have no interest in using peaceful methods. They are going after something else: to bring down the government, nothing less.

#### Protected Democracy

[Question] These extremist groups are using others' despair to achieve their ends, Mr Minister . . .

[Answer] Sure, there's no doubt about that . . .

[Question] So wouldn't it be a good idea for the government to allow more freedom for political activities, so that the democratic sectors could gain strength at the expense of the more violent sectors . . .?

[Answer] How would that solve the plight of the people?

[Question] The extremist groups would gradually lose their strength . . .

[Answer] Do you think that the violent attitudes will end that way? If the violence-prone groups are not on the bandwagon of the "Agreement," . . . you should read the interview with Corvalan in Havana, in which he clearly states that the next government must include the Communist Party, or else it will make life impossible. They have served notice . . .

[Question] Then it is even more important for the government to give stronger backing to the democratic sectors . . .

[Answer] That is why the president has said so many times that what we must create is a protected democracy, a democracy that can really sustain itself and defend itself from those who want to destroy it.

[Question] But there is the danger that democracy will disappear under so much protection . . .

[Answer] We must not forget what happened in Chile before 1973. The worst thing that can happen to a people is for it to forget its history. If we want to return to a normal democracy like the one this country used to have, we already know what the result will be.

#### Reconciliation and Agreement

[Question] Mr Minister, what exactly happened in the Te Deum on the 18th in the Cathedral?

[Answer] Nothing happened. It was just another Te Deum. It was just a homily by Msgr Fresno that I found very interesting, nothing more.

[Question] Did you know that political leaders would be present?

[Answer] No, I have never known who would be invited to a Te Deum . . .

[Question] Weren't you surprised that they had been invited . . .?

[Answer] No . . .

[Question] If it was just an ordinary Te Deum, why wasn't it broadcast on television or radio?

[Answer] Oh, I don't know. And why are you asking me? It is not broadcast directly every year. When I was minister secretary general of government, I recall that one year it was broadcast directly and the next year it was not.

[Question] What impressed you most about Cardinal Fresno's homily?

[Answer] There were several interesting aspects. He clearly and categorically condemned all ideologies that promote the class struggle. There was a very specific repudiation of doctrines such as Marxism. The other important thing he proposed has to do with the reconciliation of Chileans; he



said that first they must reconcile themselves with God. I think that that first step is very important. He acknowledged the difficult task that government officials face, and the efforts that the Armed Forces are making right now to move the country ahead . . . The homily had a very favorable impression on me.

[Question] The cardinal has sent out 250 priests with a message of reconciliation to the country. What is your understanding of the term reconciliation?

[Answer] I think there is no doubt that all of us Chileans must join together to move Chile forward. But there are some minorities whose unification with the rest of the citizenry is absolutely unthinkable, unless they are able to abandon their objectives and their methods of getting what they want. The people who do not believe in the values of the Western-Christian civilization, who do not believe in a system of private property and individual freedom . . . well, there is no possibility of reaching an understanding with such people.

[Question] You are talking about Marxism . . .

[Answer] Certainly, the communists, other sects such as the Movement of the Revolutionary Left (MIR), the MDP [expansion unknown] and some wings of socialism that do not believe in all this. So they can talk a lot with these people, they can reach a lot of agreements with them, but since they are pursuing objectives that are completely different from those that the vast majority of Chileans are pursuing, no true and lasting agreement will ever materialize.

The key is to unite all Chileans who truly believe in the permanent values of the Western world, and to work with them to seek ways to improve the country, with particular concern for the most deprived sectors of the population.

[Question] Those democratic sectors that believe in Western civilization are the ones that have joined together in the "National Agreement."

[Answer] There appear to be fundamental differences of opinion in the "Agreement," because the ideas Mr Briones has about key aspects (which he expressed in an interview) give me the impression that they are not at all similar to what Andres Allamand has said . . .

[Question] Nonetheless, both have agreed to sign that document, which is quite clear . . .

[Answer] Judging by what I have read in the press--because I am completely out of touch with political matters and I hope to remain that way--this seems like what must have happened in the Tower of Babel, where everyone spoke different languages, and in the end the tower could not be built. Some think that black is white and vice-versa . . .

[Question] Don't you believe in the Agreement?

[Answer] Look at the problem of private property, for example. There are some people there who say that issue will be resolved in the new constitution, and there are others who really believe that it is a fundamental value for the development of the country and individuals. Some say yes to private property, but only regarding personal property. And what is personal property? Is it a toothbrush, or a house? I get the impression that there are some very dangerous and touchy grey areas in this Agreement. When these points are clarified, obviously people will want to stay on the path, and those who should remain together will remain together.

[Question] Many believe that this could be the last chance for the country to find a peaceful solution . . .

[Answer] Ever since 11 September 1973, people have been claiming that the government "is falling," so I do not believe these latest versions. The vast majority of responsible people in this country are aware of what this government is accomplishing. I have occasion to travel about the country quite a bit--I don't know if you have had a chance to tour this country that is called Chile--and the situation is quite different from what can be seen in the eight blocks that surround La Moneda. People are concerned about working and getting on with their lives. So I do not believe these prophets of doom who have been claiming for the last 12 years that the government has 24 hours left.

[Question] The government always accused the politicians of being divided, of having no clear plan. Now that they have reached an agreement, quite a moderate one, without demanding the impossible, how do you think the regime should react?

[Answer] The government has an official opinion in that regard.

[Question] To what opinion are you referring, specifically?

[Answer] Dinacos issued one, and then the president has stated his position on this matter very clearly and precisely. The government's stance is very clear.

[Question] But there has been no direct response to the cardinal or to those who signed the Agreement.

[Answer] Why does there have to be a direct response?

[Question] You are telling me that there have been various opinions. If it is a question of opinions, other members of the government, such as Adm Merino, have also expressed theirs . . .

[Answer] No, no . . . but there is an official declaration by the government, and the president referred to the matter in his 11 September speech and his address to the women volunteers. If you read them carefully, you will see the government's position very clearly and precisely set forth. There is no need to go into it any further.



In this regard, we must differentiate between what the government is doing--with the backing of the majority in this country, I believe--and what some people very legitimately believe--because I do think it is legitimate to disagree--can be done in a different way. The government should listen to opinions, reflect on them, and make its decisions. This is part of its task of governing efficiently, but it must always look out for the interests of all Chileans, not special interests.

8926

CSO: 3348/87

CHILE

# POLL SHOWS NONE BELIEVES REGIME HAS ADVANCED NATIONAL STATUS

Santiago CAUCE in Spanish 17 Sep 85 p 10

[Text] The past 12 years, lived under the dictatorship of one man, are in contrast with the history of our nation. CAUCE wanted to investigate how public opinion judges what has happened in this country from the beginning until 1973, compared with the past 12 years under the Pinochet regime. Diagnos, a public opinion polling firm, carried out the survey on the basis of the following question: "Viewing Chile's history on the whole, in your opinion, has the action of this government meant progress or a step backward in the country's history?"

## Commentary

Of all those polled, an 85.6-percent majority said that this government has been a step backward, while 14.3 percent said that it has meant neither progress nor a step backward. No one said it has meant progress.

In analyzing the socioeconomic level variable, we saw that those surveyed belonging to the middle and lower classes felt, with an absolute majority, that the government has meant a step backward: 94 and 91.7 percent respectively. The majority of those surveyed belonging to the higher socioeconomic levels, compared with those of the middle and lower groups, felt that the government has not meant either progress or a step backward (62.1 percent).

With respect to sex, we did not observe significant differences between the opinions of men and women. Rather, the main trends already noted remained.

In incorporating the age variable into the analysis, one again sees the trends already described, although a great majority of those surveyed between the ages of 29 and 50 said that the government has neither meant progress nor a step backward.

[Results on following page]

# Results of Poll

## RESULTADO DE LA ENCUESTA 1)

|                                  | Total | Grupo socio-económico |         |          | 3) Sexo |           | 4) Edad  |         |         |         |          |
|----------------------------------|-------|-----------------------|---------|----------|---------|-----------|----------|---------|---------|---------|----------|
|                                  |       | Ponderado             | Alto 5) | Medio 6) | Bajo 7) | Hombre 8) | Mujer 9) | 18 a 28 | 29 a 39 | 40 a 50 | 51 o más |
| 10) 1. Ha significado un avance  | 0.0   | 0.0                   | 0.0     | 0.0      | 0.0     | 0.0       | 0.0      | 0.0     | 0.0     | 0.0     | 0.0      |
| 11) 2. Ha significado un retroc. | 85.6  | 37.8                  | 94.0    | 91.7     | 84.3    | 86.9      | 89.0     | 77.7    | 79.8    | 91.3    |          |
| 12) 3. Ni avance ni retroceso    | 14.3  | 62.1                  | 5.9     | 8.2      | 15.6    | 13.0      | 10.9     | 22.2    | 20.1    | 8.6     |          |
| 13) 4. No sabe                   | 0.0   | 0.0                   | 0.0     | 0.0      | 0.0     | 0.0       | 0.0      | 0.0     | 0.0     | 0.0     |          |
| 14) 5. No responde               | 0.0   | 0.0                   | 0.0     | 0.0      | 0.0     | 0.0       | 0.0      | 0.0     | 0.0     | 0.0     |          |
| 15) Porcentaje                   | 100.0 | 13.0                  | 39.9    | 46.9     | 49.0    | 51.0      | 36.8     | 22.3    | 15.6    | 25.1    |          |
| 16) Número de personas           | 201   | 67                    | 68      | 66       | 99      | 102       | 53       | 48      | 49      | 51      |          |

### Key:

- |                        |                               |
|------------------------|-------------------------------|
| 1. Results of Poll     | 9. Women                      |
| 2. Socioeconomic group | 10. Has meant progress        |
| 3. Sex                 | 11. Has meant a step backward |
| 4. Age                 | 12. Neither                   |
| 5. High                | 13. Do not know               |
| 6. Middle              | 14. No response               |
| 7. Low                 | 15. Percentage                |
| 8. Men                 | 16. Number of persons         |

11,464  
CSO: 3348/24

## SLUM DWELLERS SAID MENACED BY CRIME, VIOLENCE

Santiago QUE PASA in Spanish 19 Sep 85 pp 10-12

[Article by Maria Ester Robiero]

[Text] We Chileans have been promised a handsome "green belt" that will surround all of Santiago; trees touching trees, planted all along the Americo Vespucio Beltway are to provide Santiago with coolness and oxygen. However, on arrival at the southern end of the city, one is struck by reality: Little is left of the "green belt"--the trees have been uprooted--and, instead, by reason of illegal "takeovers" or resettlements, a true dark belt has proliferated, made up of rows of lean-tos. It is called the "sector bravo" [wild sector], incorporated into the La Granja, La Pintana, San Ramon, San Miguel and La Cisterna communes, where the Raul Silva Henriquez and Juan Francisco Fresno encampments and the San Ricardo, San Gregorio, Ignacio Carrera Pinto, Nueva Extremadura, Pablo de Rokha, Raul del Canto, Joao Goulart and many other built-up areas, are frequent scenes of conflict and acts of violence. Many things are currently being said of these places: That on days of protests there are hails of bullets and stones that terrorize the entire sector; that they are impenetrable and that not even the carabineros dare cross their boundaries; that there is now a state of war among them; that they are threatening each other, thus provoking the organizing of the dwellers into outright guerrilla squads...

What truth is there in all of this? What consequences can stem from the concentration of dwellers in the southern part of the city? Who are calling the tunes in these parts? We ventured into the "sector bravo" in search of the answers to these questions.

## Santiago 'Strangled' by Built-Up Areas

They are distant. Only two routes provide access to the peopled areas of south Santiago: Santa Rosa and Americo Vespucio. This is why it is so easy to block the entrance to them: A single barricade erected strategically at the intersection of these two avenues suffices to isolate thousands of persons. The same is true of the San Miguel commune: A pair of automobile tires and a pile of stones in Avenida La Feria are more than enough to

create a climate of fear in the outskirts of the populated area "La Victoria." Many view with concern this phenomenon of high-density concentrations of dwellers: They can control the entrances and exits to and from the capital and "strangle" Santiago. One need only visit the area to verify this.

#### 'We Don't Want to Tarnish the Image of the Encampment'

The Juan Francisco Fresno encampment shelters 2,056 families. Many come out to keep an eye on outsiders. It is full daytime, but it seems that no one there goes to work. The children play in the mud. It also seems that they don't go to school. One encounters strange persons at every step: The "admiral," a young man with an obvious mental "impediment," attired in a reversed overcoat, organizes the encampment. Everyone plays along with him. Further on, a "pato malo" [bad egg], proud of his occupation as a "lanza" [con artist] in the center of Santiago. In the middle of the group, a blonde, blue-eyed woman also stands out. To survive in the encampment, it is indispensable that she have a "cohabitant"; without him, she would be raped in less than a minute.

Mrs Juanita Sandoval, manager of the encampment, told QUE PASA what had happened a few days ago: "We knew that in the San Gregorio, 'Olivo A' de San Bernardo, and 'Unidad Vecinal 39' de Pablo de Rokha settlements, the word was going around that we were going to attack them. They were saying that they too would attack us. And we don't want, for anything in the world, to tarnish the image of the encampment, which is presently very peaceful. Especially now that Minister Poduje has come here and promised definitely to move us somewhere else where we will have houses to live in. Therefore, together with other leaders, we went, on foot, through the mud, to those settlements to clarify the situation. They were overjoyed when they learned that it was all lies. They had armed themselves with sticks and clubs and had connected wires to the dwellings to provide them warning in case of an attack..." Ricardo Rojas, head of the independent management of the encampment, confirmed what Mrs Juanita had said: "We don't want problems. We had no intention of attacking anybody. This encampment has changed a great deal since our takeover; Here, we broke up the communist management because we rebelled against continuing to pay what they were charging us: 20 pesos a week for a site, 20 pesos for water, 20 pesos to be connected up to electricity--and in the end, they gave us nothing at all. I got in touch with people in the UDI [Independent Democratic Union] who put us in touch with the authorities, and they listened to our needs. This is why there is peace here."

The women also, generally speaking, are now calmed down in the encampment. A young doctor has organized there a mess hall where more than 100 children with nutritional problems are fed daily. The women are also taught, thus occupying their time. The same is not true of the youth. Idleness and unemployment make them the prey of crime and drugs. In the middle of the encampment, we ran into adolescents smoking marihuana. They cultivate it themselves.



In the Raul Silva Henriquez encampment--where 4,600 families live--the situation is similar. Peaceful as a cup of milk, a new management and the near-term possibility that they will be getting land definitely assigned to them are keeping the dwellers appeased. Nevertheless, we were warned by someone: "Don't kid yourselves. There are no revolts inside the encampments because their complaints are being listened to, but there are many criminals holed up among them. You all entered and came out unharmed, but that was because you were with people friendly with the dwellers. Otherwise, it would have been a different story."

#### 'Does This Government, By Any Chance, Give Us Security?'

In the "La Victoria" settlement there is also apparent calm. To reach it, we went through the "Jose Maria Caro" settlement, a sector that could very easily be a commune. Close to 150,000 persons live in it. In "La Victoria" we spoke with one of the leaders of that settlement: "We are fearful of what may happen since Alcalde Nelson Murua was attacked. They wanted to beat him and would have done so had there not been armed soldiers nearby. Even so, there was a shootout that started around seven in the evening. I kept telling them: It's going to get worse now! People from outside the settlement also arrived with submachine guns. We don't know where they come from, but there are always youths of the parish who start things with protests and stones. And what we want is peace; we don't want to suffer again like we suffered in 1970, when we had neither food nor security."

That afternoon we heard another version of the same film. One of the youths of "La Victoria" put the matter this way: "Why don't they investigate the truth as to how many unemployed there are here, how many men have been kicked and mistreated by the police? Do you want security? Does this Government, by any chance, give us security? Friends of mine are scarred with knife-marked crosses that were inflicted on them because they were friends of Father Pierre Dubois... Now they are trying to frighten us with truckloads of soldiers. 'What for?' I ask. We live in fear anyway, with or without them."

#### Where Is the Snake's Egg?

The alcaldes of the zone are alarmed. Mario Messen, alcalde of La Granja, stated to QUE PASA: "I see a change in the violence perpetrated in the last few days. Before, it was clearly politically motivated. Now, there are those who are subtly trying to frighten the dwellers, threatening them with lootings." Carlos Robles, subrogate alcalde of La Pintana, confirms what Messen said: "Basically, there has been no political delinquency. But there has been common delinquency. The problem is that we inherited a bunch of delinquents after successive uprootings. In 1982, the commune had 80,000 inhabitants. Now, there are 150,000. Joblessness is extremely serious, and in the "Lo Castillo" sector we have accumulated a den of lumpen."

The people in the communes are complaining about all of this. When there are no buses because of demonstrations, the dwellers have to walk back from

the center of the city. The "cogoteros" [muggers] come down out of the trees with knives and often with guns. How do the police react to this? There is very little they can do. There are 40 carabineros to ensure the security of 150,000 inhabitants. A single police headquarters in all of La Pintana. Recently, the municipal administration, with its funds, built a second police headquarters; but they believe this will be of very little help. The same number of carabineros will simply be divided into two groups of 20 each. Carlos Robles explains that it has become indispensable to have a criminal investigation headquarters in the zone: "There are too many criminals to catch. There are only 27 detectives assigned to the entire southern area of Santiago; it stands to reason they cannot cope." Since there is only one guard wagon in all of La Pintana, while it is on its way to handle one revolt, others spring up in other locations. Jobs are also lacking, as are first aid and medical stations. This would help assuage spirits.

The alcaldes are sure there are organized persons who, taking advantage of the remoteness of the zone and of the lack of police surveillance, are sowing panic among the dwellers. The latter have reported a red Fiat 125 without license plates, and an Austin Mini, also without license plates, whose drivers, armed, go from settlement to settlement spreading rumors of attacks and looting. Another, a white station wagon, driven by a blonde woman, is doing the same thing. Carabineros headquarters has not been able to locate them. And worse yet, many say that the carabineros, perplexed by the situation, have mistakenly jumped on this bandwagon of panic and psychosis. They are reportedly urging the dwellers to protect and defend themselves, since they [the carabineros] alone cannot ensure the maintenance of peace.

9399

CSO: 3348/25

CHILE

REPUTED DICOMAR INFORMANT HELD IN CASE OF 3 DEATHS

Santiago QUE PASA in Spanish 19 Sep 85 p 15

[Article by Ximena Barros]

[Text] With his background as a former PC [Communist Party] militant and later a security services informant, he became a key figure. Hence Miguel Estay Reyno's notoriety. Almost 35 years of age and known as "el Fanta"-- "because of his vainness and because he once probably dyed his hair red"-- Estay is presently being held incommunicado, accused of carrying arms without authorization and of passing bad checks. However, it was in connection with the investigation of several cases that the Homicide Brigade actually arrested him.

His career goes back to the 1970's when, as a secondary school student, he joined the Communist Youth organization. According to one source, he was also connected with the Ramona Parra Brigade. Around that time, Estay worked with Rene Bezoa, Jose Manuel Parada, Manuel Guerrero and the secretary general of Communist Youth, Jose Weibel. All were of the same generation. Some of them, particularly Weibel, later held top PC executive positions. Through these contacts "el Fanta" was able to become well acquainted with the PC's top leadership. Thus it was, some say, that in 1975, having been arrested by the Unified Command, he was offered the opportunity to "change sides" in exchange for his life.

Consisting mainly of members of the FACH [Chilean Air Force], the Navy, the Carabineros, and some civilians from Patria y Libertad, the Joint Antisubversive Command was formed that same year. The arrest of Miguel Estay and Rene Bezoa enabled that service to score several winning points in its task of repression of the PC. According to statements made to the Solidarity Vicariate in 1984 by Andres Valenzuela--former member of the FACH and former member of the Command--both detainees became informants of the organization. In time, Bezoa and "el Fanta" both succeeded in positioning themselves "within the very heart of the repressive organization," according to Hector Contreras, the Vicariate's attorney. He adds: "There is not the slightest doubt that they had knowledge of every arrest made by the Command in 1976 against the PC militants."

Round figures compiled by the Solidarity Vicariate attest to the arrest and disappearance of some 70 communist militants during the year 1976. The

magazine ANALISIS states that a group of detainees consisting of Carol [as published] Flores, "Jose" Vargas, Mallea and Carmona, among others, had decided to imitate the informants Bezoea and Estay in agreeing to undertake the task of infiltrating their party. "The object of this intelligence work," it explains, "was to splinter and destroy the PC from within, by sowing distrust among one another."

The detention drive was massive and the fate encountered by many was tragic.

According to Valenzuela's statements to the Solidarity Vicariate, Carlos Flores was killed for collaborating with the DINA [National Intelligence Directorate (replaced by CNI [National Information Center])]. And whereas Weibel was made to disappear, Bezoea was shot dead. However, the case most widely known to the public was that of Contreras Maluje, communist militant, who is said to have thrown himself under the wheels of a bus during an operation designed to arrest another of his party colleagues.

On the heels of this scandal, Valenzuela states that an order was received from on high to withdraw immediately, "and we returned to doing institutional work." That was towards the end of 1976 and the Command was dissolved.

#### 'El Fanta' Reappears

According to the Vicariate's attorney, Hector Contreras, "'El Fanta' admits having been connected with the head of the Command, Roberto Fuentes Morrison, until February of this year." And although his name had come up in the investigations, it was the CNI that identified him as an important "cog." In a "secret" document within the organization, unsigned and un-addressed to any known person, "el Fanta" was reported to be performing duties in the Analysis Department of DICOMAR [Carabineros Intelligence and Communication Directorate (now disbanded)].

Miguel Estay was called in for questioning on two occasions, but an order for his arrest had to be issued by Minister Canovas before he could be located. And on 30 August--"as he was trying to leave the country and escape to Los Angeles"--he was apprehended by the Homicide Brigade. Since then he has undergone intensive questioning by Minister Carlos Cerda, who is in charge of the case of the alleged detention and disappearance of 13 persons--most of them top leaders of the PC--around the end of 1976.

Even though Estay Reyno is not charged with being the material author of the operations or of the triple assassination, his participation in the gathering and analyzing of information--"an exceedingly important mission"--is what makes him a "key man" in these cases.

9399

CSO: 3348/25

CHILE

# BILL PROPOSES ELECTORAL REDISTRICTING

Santiago QUE PASA in Spanish 10 Oct 85 p 33

[Text] The bill drafted by the Fernandez Commission contains the new electoral districts that will be used in the upcoming deputy elections, if it is passed. The proposed changes involve an administrative division into districts, with two deputies being elected for each, depending on the top two majorities.

For example, if this system had been applied in 1973, in the 1st District the PC [Communist Party] and the DC [Christian Democrat Party] would have won; in the 4th District, deputies would have been elected from the PS [Socialist Party] and the DC; in the 39th District, the DC and the PN [National Party] would have won; in the 40th, the PS and the DC, and so on.





CHILE

PENSION FUND ADMINISTRATION HEAD ON COMMISSION RULING

Santiago ERCILLA in Spanish 18 Sep 85 pp 15-18

[Interview with Juan Aritzia Matte, superintendent of AFP's [Pension Fund Administration(s)], by Andres Adler; place and date of interview not given]

[Text] He confesses that he is not very fond of granting interviews and making statements. Only fitting and necessary ones. Opening his dialogue with ERCILLA, and noting the constant moving around of the cameraman, he smiles and quips: His camera is going to blow up, I so seldom have my picture taken..." He is Juan Aritzia Matte, 42, married, father of four children, holder of a civil engineering degree from the University of Chile and a master's degree in business administration from the University of Chicago, and superintendent of AFP's since the start of the pension reform.

Recently, the Risk Evaluation Commission, which is charged with rating the securities in which pension funds can be invested and whose Technical Secretariat is in the hands of the AFP Superintendence, issued its first report. As is the case in all ratings, some institutions and securities received high marks, while others were handed yellow or red cards.

As was to be expected, those affected had things to say, and Superintendent Aritzia, a member of the Commission, addressed these comments head on.

[Question] What is the Risk Evaluation Commission's mission?

[Answer] The original law called for a certain diversification of pension fund investments. One of the factors considered in this regard was the capital of the bond-issuing institution. Subsequently, however, that factor, taken alone, was insufficient as a measure of long-term stability or safety. The original provisions did not take into consideration any measurement of the risks inherent in the issuing institution itself or the instrument itself. This was unsatisfactory. This situation was remedied by creating this Commission, and charging it precisely with the function of analyzing this aspect.

[Question] Why the original void?

[Answer] Because in Chile there was no such thing as a risk rating or risk evaluation system capable of serving as a source or as a basis for the establishing of diversification guidelines.

[Question] Were foreign experiences incorporated into the implementation of this idea?

[Answer] The methodology of risk evaluation is based on universally-known financial considerations; it is not something that needs to be re-invented. In fact, it resembles the one applied by the Superintendence of Banks in its rating of the assets of banks. What did not exist in Chile, what is new, is its availability to the public, its use with respect to all institutions, and its possible use as a basis for setting up rules and regulations.

[Question] Does this contribute to the transparency of the system?

[Answer] ...No question that it does. What was lacking was being able, once and for all, to know the level of risk inherent in each paper offered to the market.

[Question] What importance do you attach to this?

[Answer] A vast importance, well over and above its relation to pension funds. When you consider that in Chile, during the past 10 years, a quite substantial capital market has developed, and that this capital market has operated under the most absolute conditions of ignorance with respect to the risk inherent in the instruments being sold, many of the things that have occurred in this country over the past 10 years can be readily understood.

Financial institutions were created that milked the public of its money in vast quantities; an innocent, naive, uninformed public simply put its savings and deposits into those institutions. In this regard, in my view, there was error on the part of fiscal policy, because the national Treasury had to know these situations and did not make them known to the public. What happened then? The state had to assume joint responsibility, since it had not informed the public. And it had to step in as a joint respondent.

[Question] Could that situation have been avoided?

[Answer] It precisely would have been avoided if a system of ratings had been in existence. Those institutions would not have grown as they did; they would not have been able to make all the investments they made; that gigantic inferno of illusions and quick money which turned out to have no basis in fact would not have been stoked.

[Question] Is that to say that you think there will now be clarity in this respect...

[Answer] Of course. It would be totally unacceptable to ever have something happen with respect to pension funds. It is as a measure specifically designed to guard against the onset of an entrapment of pension funds in similar situations, therefore, that limits have been placed on their investment, based not only on a capital evaluation but also on the risk rating of the instrument in question.

[Question] Is this Commission simply a steering body or does it also have regulatory powers?

[Answer] It has been said here and there that the Commission would be nationalizing the decisions of the AFP's. That is absolutely inexact. The only thing the Commission does is prohibit investment in specified instruments and place a ceiling on investment in others; but in no case does it obligate, compel or urge an AFP to invest in a specific instrument.

[Question] How does the Commission operate?

[Answer] The law is very precise. During the first 6 months of operation, the Technical Secretariat of the Commission, which is the Superintendence of AFP's, prepares the projects for the rating of instruments. After those first 6 months, all ratings projects are to be prepared by the AFP's.

[Question] This would disprove those affirmations claiming that this rating is being done by a state agency...

[Answer] Those affirmations are inexact. The rating will be done by private entities (the AFP's) and reviewed by a joint entity, the Commission. The spirit underlying the passing of this law falls entirely within what is known as the principle of subsidiarity. It is not out of a hankering for statism that the need has arisen for this Commission to intervene. If no one else does this rating, the state must begin to do so... , and even so, the state is not doing it, but rather a joint Commission, consisting of three representatives of the private sector and four of the Government. Unfortunately, it is the state that must respond on workers pensions if any problem should arise.

[Question] No sooner was the first rating of financial instruments made public than complaints began to be heard. The National Association of Banks, for example, asserts that this Commission is an organization that parallels the Superintendence of Banks. Is that true or not?

[Answer] Absolutely not. The Superintendence of Banks has as its mission the safeguarding of the situation of banks. This Commission has as its object the rating of the financial instruments bought by pension funds; these instruments can be issued by banks as well as by business firms. Of course, it obviously introduces a degree of discipline with respect to the issuers of financial instruments, whether they be banks or any other entities; of that there can be not the least doubt.

[Question] It has also been claimed that this control contradicts outright the principles of decentralization that inspired the pension fund reform. What do you say in this respect?

[Answer] I don't understand that affirmation in the least. What this Commission does when it rates financial instruments is specifically designed to enable the diversification of pension fund investments. When this Commission did not exist, the Superintendence and the law had to keep an exceedingly tight control over pension fund investments, constricting them to the maximum, because there was no way other than that to keep those funds from being badly invested. Now, investment in corporations is being authorized. This could not be done if there were no strict ratings commission to indicate clearly which securities are unacceptable.

In the case of bonds and corporate debentures, these, practically speaking, have not been able to be placed, except to a minimal extent, for a very simple reason. D.L. 3.500 had to be modified 3 months after it went into effect, to prevent the forming of paper corporations, designed specifically to issue debentures, to wrap up the pension funds in paper. To date, it has not been possible to unbolt that door..

[Question] When will it be possible?

[Answer] Not until there is a system for rating the debenture being offered. A system whereunder, when a debenture is to be offered to the pension funds, it will first be analyzed as to who is backing it, as to whether it offers guaranty or not, because the mere fact that the issuer of the instrument has capital assets is not sufficient. To unbolt that door, a published rating is required.

[Question] You put quite a bit of emphasis on the word "published"...

[Answer] We need a published rating, open to the view of all Chileans. There is no room here for ratings arrived at privately, in the dark, as between the AFP and the issuer.

[Question] Another comment by the Association of Banks is that the Commission's resolutions destabilize the situation for an institution that receives an adverse rating.

[Answer] ...No...! That is an inversion of factors. Obviously, when an institution receives an adverse rating, it is because it is already destabilized. The only thing this Commission is doing is recognizing a fact and preventing the damage from spreading at the expense of disinformed investors. Now, if that institution, which was already in trouble, is seeking to resolve its problems by using the pension funds, it had better seek a solution elsewhere, but not here. In the United States, there are institutions such as Standard and Poor, that are highly prestigious and influential, and that publish their ratings of financial instruments just as we are doing here.



[Question] Do you think all this process of risk rating constitutes a threat to Chilean private enterprise and an attack against a free-market economy?

[Answer] That comment seems to me rather ironic.

[Question] Why?

[Answer] Because what really undermines a free-market economy is permitting any entity whatever to entrap the money of a disinformed public. This is what we have seen happen in Chile and what leads, in the near term, to state intervention of an unforeseen magnitude. Free enterprise is a delicate plant that must be cared for properly and developed prudently. Licentiousness has been known to kill it.

[Question] Are the Commission's decisions appealable?

[Answer] Of course they are. They are appealable to Courts of Justice and also to the Commission itself.

[Question] Has anyone appealed any rating made to date?

[Answer] No one has appealed. Appeals have been made through the news media, advertisements and sensationalist statements, but nothing concrete.

[Question] The Credit and Investments Bank, some of whose instruments were rated "C," issued a statement indicating that it "considers improper that state organizations determine ratings of financial instruments issued by the private sector," and even called it a "dangerous precedent." Do you see it that way?

[Answer] That statement appears very strange to me, because, for many years now in Chile, the instruments issued by banks and the situation of banks have been rated, studied and analyzed by an agency that is 100 percent state: The Superintendence of Banks. I have never until now heard the banks complain publicly about that. I don't see the basis on which this argument is being advanced now.

[Question] What, then, is the difference between what the Association of Banks is proposing and what the Ratings Commission is proposing?

[Answer] The proposal the Association of Banks has made boils down to two things: That the rating be an inside matter between the AFP and the issuer, and not published; and secondly that it be "post" and not "prior."

[Question] What is the difference between the two approaches?

[Answer] If the rating is merely internal between AFP and issuer, there is insufficient transparency. Besides, there would be no general frame of reference for diversification requirements. As regards permitting the AFP's

to invest only in accordance with their own rating of the issue and subsequently requiring them to provide the necessary "reserve coverage" if the investments prove unsatisfactory, this is unsuitable, because we would find ourselves having to deal with hard-to-remedy accomplished facts. This is owing to the small size of the capital of AFP's as compared with the magnitude of the pension funds they administer. The system currently in operation is preventive, in that it sets maximum ceilings per issuer according to inherent risks, and that, by making it public, it prevents internal arrangements.

[Question] The Banco Nacional, for its part, also issued a statement in which it affirms that one of its instruments was rated "C" "for subjective reasons." Does the Commission rule subjectively?

[Answer] No... The Commission has a regulation published in the DIARIO OFICIAL, which sets forth, step by step, the rules and procedures that must be followed in rating. That regulation was applied, down to the letter; and the results were those that a computer would probably have given.

[Question] Very soon, the AFP's will be in a position to buy shares in state-owned public service companies. Some see in this a situation that will lead to an antithesis of sorts, in that the consumers will always demand lower tariff rates, while the workers affiliated with the AFP's will be seeking to obtain a higher return on their investment. Does such a conflict of interest exist?

[Answer] I would consider the emergence of such conflicts to be positively productive, because the problem that has traditionally existed in Chile with the big state-owned enterprises is that they have always been at the mercy of political pressures designed to take cheap advantage of them. If, on the other hand, there is no concrete owner of those enterprises, who will take an interest in defending them, what has happened in the past will continue recurring, namely, that those enterprises will continue generating enormous fiscal deficits that must be financed through bond issues and inflation. Now, the AFP's, representing their members, will have special powers provided in the law to defend a sound administration of these enterprises.

[Question] How is the buying of securities by the AFP's progressing?

[Answer] Approval of the first shares for purchase by the AFP's has just been granted, namely, shares of Chilectra Metropolitana, Chilectra Fifth Region, and Entel. These were the first shares to be submitted to and approved by the Commission, and at this time a modification of the rules and regulations of those enterprises is under way, since the law requires quite a number of mechanisms designed specifically to safeguard the viability of investments in the shares of these state-owned enterprises by the AFP's.

[Question] What effect will the buying of these shares by the AFP's have on the national economy?

[Answer] A beneficial one, in that it will permit domestic savings, the country's biggest source of savings, which are those for future security, to be invested in the country's biggest sources of wealth. What has been happening to date must not continue over the long term, in the sense that most of these savings are being automatically lent to the tax collector through Treasury or Central Bank promissory notes.

[Question] How is this buying of shares by the AFP's benefiting the members?

[Answer] It is an effective means of keeping their money out of the hands of the tax collector. Because, if the member's portfolio shows X-hundred-thousand pesos in pension-fund savings, but those savings are all in fiscal paper, the tax collector, who will continue having the ongoing deficit problems he has always had, will, when it comes time to pay the member his or her pension, have to say that the member cannot count on the totality of his or her funds because there has been an earthquake, a drought, etc, so that only a certain portion or fraction of the pension can be paid. To the extent these pension fund resources are independent of the tax collector's control, this will not happen. And the members become independent of the tax collector's control by being part owners of enterprises that generate their own resources.

[Question] After 4 years since the start of the pension fund reform, what is its balance sheet?

[Answer] On the plus side, having completed 4 years of the pension fund reform, and despite a quite significant financial crisis, the fact is that as regards the pension funds there have been no problems to complain about. I consider that a sign of the soundness of the system. I think that, to a certain extent, the system, operationally speaking, has grown stronger. To date, most of the AFP's are operating well, as it should be. The disability and retirement pensions being paid are significantly higher than those under the former system, and the revenues of the funds are very satisfactory.

[Question] And as to the other side of the coin: The problems... ?

[Answer] I would say that the principal problems are foreseeable future ones. If these investment rules and regulations had not been corrected, we would have reached the sad conclusion that although we had an AFP, a portfolio, individual accounts, and an illusion, we would have nothing real of our own, with 90 percent of our funds loaned to the tax collector.

If we consider that the accumulated capital assets of these funds will be totaling somewhere between \$25 and \$30 billion over the long term, that

will amount to more than half the country's total savings, Chile's wealth. That is what we must look forward to. Thus, the principal challenge is that of continuing to ensure the necessary mechanisms so that this capital will be invested with maximum security and will contribute to the country's development.

9399

CSO: 3348/25

CHILE

MAGAZINE REPORTS ON SECOND SEMINAR ON POLITICAL TRANSITION

Santiago QUE PASA in Spanish 19 Sep 85 pp 16-20

[Text] The "Second Seminar on the Transfer of Power," organized by the magazine QUE PASA, gave rise to an in-depth debate. In one of the halls of the Hotel Sheraton, packed to overflowing by the approximately 300 persons attending the proceedings of 5 and 6 September, panelists Mario Papi, Hermogenes Perez de Arce, Angel Flisfisch, Pedro Ibanez, Andres Zaldivar and Jaime Guzman discussed the different alternatives--as viewed by each of them--for the "transfer of power" under the provisions of the 1980 Constitution.

In his opening address, the managing director of QUE PASA, Roberto Pulido, said that the transition toward a democracy and the transfer of power it entailed require the restoration of mutual trust among the different political sectors and the citizenry. Hence, he said, the need to understand in depth the viewpoints that each political group says it espouses. "An interchange of views is what will make possible, on the one hand, a bringing together of positions and, on the other hand, the coming to a general agreement that will shape definitively the future Chilean democracy. And the consistency of the views defended and reiterated time and again is what will make possible the overcoming of the existing mistrust. It is for the purpose of contributing to the attainment of these ends that we have wanted to insert the holding of this seminar."

Referring to the subject of the debates, Roberto Pulido said: The law and the Constitution are, in themselves, unimportant. They are good or bad depending on the principles they defend or enunciate. This is why it becomes necessary to know the intentions that inspire the different protagonists, and the roads along which they seek to lead us."

Hermogenes Perez de Arce, Lawyer

During the QUE PASA Seminar, the lawyer, commentator and member of the 4th Legislative Commission, Hermogenes Perez de Arce, analyzed all the issues raised by the transfer of power under the provisions of the 1980 Constitution.



He argued that those provisions should remain in effect, without modifications, at least until 1990.

The reason for this are that: The provisions were approved in a plebiscite by a large majority of Chileans; the Armed Forces and Forces of Public Order, which are headed by the Executive and Legislative Branches, have undertaken, on their honor, to comply and enforce compliance with the Constitution; the recently signed Accord to modify the 1980 Constitution is to take effect after 1989; outside pressure has not been directed toward a constitutional change; and the hypotheses of an "autocratic coup," a "military coup," or a Cuban- or Nicaraguanstyle subversive triumph cannot be other than excluded as "improbabilities."

Who might be candidates? In the opinion of Hermogenes Perez de Arce: The present president of the Republic himself; another member of the Armed and Public Order Forces; a civilian party leader supportive of the Government; an independent neither aligned with nor opposed to the Government; and finally, a moderate opposition leader.

According to transitional Article 27 of the Constitution, the commanders in chief of the Armed Forces and Forces of Public Order must meet and designate a candidate. This designation, according to the provisions, could be made any day between this next week and 11 December 1988. If no agreement is reached within 48 hours, the National Security Council must designate the candidate. In that Council, in lawyer Perez de Arce's view, "the president can exert a decisive enough influence to designate the person he would like as his successor or to designate himself."

In the event the citizenry rejects the proposal of the Junta or the National Security Council, the current presidential term would automatically be extended for an additional year, that is, to 11 March 1990. This would bring general elections into being, on that date, for president and for members of Parliament. In this case, the current head of state could not again be a candidate.

Arguing in favor of the plebiscite stipulated by the 1980 Constitution as against the plebiscite proposed by the opposition, Hermogenes Perez de Arce said: "The alternative is more reassuring than all those that Chile addressed throughout the period of the 1925 Constitution, because the alternative is an orderly presidential and parliamentary election, within a period of 1 year and with a second round."

That presidential election, he added, would find the citizenry divided about equally along the lines of its three traditional tendencies, and the odds would most probably favor the triumph of the centrist candidate. The Government's chances would depend on its being able to improve substantially its public image between now and 1989.

Mario Papi, Social Democratic Leader

In 1989, according to the transitional provisions of the Constitution, there will be no transfer-of-power option, but merely a continuation with no possibility of a change unless the candidate proposed by the Armed Forces were to be rejected by the populace, said the Social Democracy leader, Mario Papi, on the opening day of the QUE PASA "Seminary on the Transfer of Power." Papi affirmed: "The 1980 Constitution does not contemplate the possibility of a transfer of power until 1997. The mechanism of succession built into it seeks only to ensure a continuation of the present status quo and the perpetuation in office of the present head of state."

The provisions in this regard, said the Social Democratic leader, are the principal obstacle separating the system from the populace.

According to Mario Papi, the country's central problem at this time is how to reconcile two fundamentally dissimilar viewpoints: That of those who argue that the present Constitution does not lead to democracy, that it is not representative, and that it has neither real backing nor a popular consensus; and the viewpoint of those who consider it to be Chile's only solution.

As to procedures, he pointed out that two views have been expounded: That of those who see the Constituent Assembly as the only road, and that of those who postulate that the Constitution itself contains the mechanisms for reform, once it enters into full effect. As regards both these two viewpoints, Mario Papi said: "Neither of these two positions appears to us either satisfactory or realistic if we want to distance instability and violence from our future."

In his view, the true solution lies in a third position, an "intermediate position that would make it possible to arrive at a compromise formula and a Constitution backed by a consensus." He recalled the words of the president of Social Democracy, Rene Abeliuk, to the effect that, although the Constitution is tremendously inflexible as regards modifications to it, once it enters into full effect--that is, in 1990--it is extremely flexible during the period the transitional provisions are in effect; for, then, it can be modified by simple agreement, by a law passed by the president of the Republic and the Junta, which must then be submitted to a plebiscite.

Such a reform, said Papi, could be obtained "if there were a real intent on the part of the regime to seek an understanding, using the procedure contemplated by the Constitution itself at this stage to arrive, within a time that is not specified and which could be before 1989 or in 1989 itself, at a direct election by universal suffrage of the president of the Republic, with a second round should it prove necessary."

Papi added that the transfer of power is consequently a political negotiation, and that the opposition has proposed ways and possible formulas to guarantee that transfer of power, through the National Accord.

To reconcile the differences that are likely to arise between the two positions, Papi proposed the appointing of a joint commission, made up of representatives designated by the Government and of signers of the Accord. The Social Democracy spokesman concluded his remarks saying: "There appears to be no civilized way to guarantee a future stability other than by sitting down at a table to analyze differences, seeking out those points on which agreement can be reached, putting aside those on which agreement proves difficult to achieve, and leaving the latter to the people to decide."

Angel Flisfisch, Socialist Political Scientist

In the opinion of the Socialist political scientist Angel Flisfisch, the two major problems confronting the Chilean body politic today are, not so much the transfer of power but rather, the restoration of democracy and its consolidation.

During his remarks at the QUE PASA Seminar, Flisfisch stated that, if the intent is to change the system, a precise definition of democracy as it is to be understood is an indispensable prerequisite. Pointing out that, in his view, it is "a specific type of political system," Flisfisch said: "In which case, we have here a first prerequisite for a redemocratization and successful democratic consolidation. A consensus must be achieved as to what is being sought, and a consensus, in plain terms, that what we are seeking is a specific type of political system."

Flisfisch added: "The Chilean situation clearly gives rise to an immediate doubt, namely, as to whether there exists today in Chile a sufficiently widespread understanding that the hard core of democracy is that it is a type of political system and, therefore, the sufficiently widespread understanding that democracy is but the combination of political forms that are already traditional in the West."

In the Socialist lawyer's opinion, the most serious problem with this interpretation stems from the neoliberal tendency or trend, "whose influence in the authoritarian Government, in its policies and its decisions, is, I believe, beyond doubting. In the view of neoliberalism, as in that of the revolutionary Left, democracy is, in a certain sense, more than a political system." Nor, he argued, does the neoliberal view of democracy identify with the formal democracy of the West. "Therefore, I believe that, over and above the problem of constitutional itineraries, or of specific or detailed rules governing a succession of governing power, such as those set forth in the transitional articles of the present Constitution, there is a need to address this first and major difficulty, namely, that for one of the important protagonists, namely, the Government, democracy is much more than a political system. Basically, it is perceived as a particular and specific model of society--as either the neoliberal or the neoconservative model of society."

As Flisfisch sees it, the success of a redemocratization requires a specific view of the process of the Government-Opposition conflict, which he defines

as "cooperation," in which the political process is not perceived as a conflict between friend and enemy, but as a friend-versus-opponent relationship, which very significantly attenuates the conflict.

As the present Government sees it, however--said Flisfisch--the political process must be understood in terms of friend versus enemy. The enemy is international communism and, in confronting it, there is no room for neutral positions: Anyone not with me is against me.

"On that basis, there is an actual disqualification of others, and the political process takes on the characteristics of a crusade, more than ideological, almost religious, in which the forms of political cooperation are quite difficult to achieve," he added.

After asserting that recently the democratic opposition has been showing a high degree of generosity, which the Government is not doing, Angel Flisfisch concluded, saying: "The problem is not the existence or nonexistence of a set of rules of succession. I believe the problem is another one. It is the widespread spirit with which the problem of redemocratization and democratic consolidation is being addressed."

Andres Zaldivar, President of International Christian Democracy

At the QUE PASA Seminar, Andres Zaldivar, president of International DC [Christian Democracy], proposed, as a way out of the political crisis that presently envelops the country, the holding of a "free, secret and informed" plebiscite, through which the citizenry could opt between the present Government's plan--implementation of the 1980 Constitution--and the plan contained in the National Accord on the Transition to Democracy."

This plebiscite, according to Zaldivar, should be held within 4 months from the date of its convocation, with all states of emergency suspended and with absolute freedom of the press. To ensure guaranties to the citizenry, he added, a minister of interior should be appointed to take control of all the security, civil and uniformed police services. Temporary application of Article 24 of the Constitution should also be suspended.

According to Andres Zaldivar, in the event the Government were to win the plebiscite, the opposition would have to submit to the provisions of the present Constitution, but the Government would undertake to eliminate those legal provisions that limit or infringe upon fundamental rights, and to recognize the freedoms of expression, the press, association and organization, and the right of Chileans to live in their own country.

In the event the opposition were to win the plebiscite, the consequences would be: Suspension of the period of validity of all the transitional articles of the 1980 Constitution; the taking of office of a government headed by the president of the Supreme Court or by a civilian, or a general, or an admiral, designated by the Armed Forces; the formation, within 30 days, by the head of state, of a 50-member Constituent Commission that would



perform the legislative function and update the contents of the Accord for the transition. With the Constitution remaining valid, the Government would hold an election of authorities within the timeframes called for.

The president of International DC then stated his position on three issues related to the transfer of power which, in his opinion, are of concern to the citizenry: The position to be adopted with regard to antidemocratic conduct; the role of the Armed Forces in the transition and the future democracy; and the behavior of the social and political forces during the transition. In regard to the first, he said that there should be a juridical and institutional code that would penalize the conduct of individuals or groups attempting criminal acts against the system. In relation to the Armed Forces, he said that they "must have a guaranty that the transition to democracy, by the peaceful route, will not be an instrument of vengeance and hate." And with respect to the political and social forces, he said that they should try to achieve a national consensus.

Jaime Guzman E., Constitutional Lawyer and UDI Leader

Jaime Guzman, constitutional lawyer and leader of the UDI [Independent Democratic Union], asked nine questions of the signers of the National Accord for the Transition to Democracy attending the "Transfer of Power Seminar" organized by the magazine QUE PASA.

These nine questions were: Do you recognize the validity of and abide by the Constitution, without prejudice to the right to advocate any modifications that may be deemed appropriate? Do you recognize as valid the constitutional judgment that declared unconstitutional the MDP [expansion unknown], PC [Communist Party], MIR [Movement of the Revolutionary Left], and PS [Socialist Party] of Almeyda? Would or would not the application of the Accord imply that the PC, in view of its stated objectives, should be unconstitutional? Do you or do you not recognize the validity of the current presidential term until 1989? What concrete constitutional provision do you propose be incorporated to govern the role of the Armed Forces in the future democratic general assembly? Do you or do you not accept the presidential system of government for the future democracy? If not, what changes are you proposing in your document? What are you proposing as to the criteria that are to govern the coexistence of private, mixed and state ownership of the means of production? Do you agree with the safeguards provided by the Constitution to protect the property right in the event of legal expropriations? If not, what modifications do you propose? Is the rejection of violence affirmed by the signers of the Accord compatible with social mobilizations for the purpose of civil disobedience?

Jaime Guzman said he was asking these questions because the UDI found itself compelled to alert public opinion as to "the dangers of the document, which, instead of containing mutual concessions to achieve at least minimal



consensus, had preferred to announce an agglomeration of vague generalities on the most diverse topics, that were open to varied and mutually contradictory interpretations."

The validity of his assertions, according to the UDI leader, has been borne out in the contradictory views expressed recently by two signers of the Accord. Some, by Socialist Carlos Briones, who stated to QUE PASA that the Accord will not translate into the unconstitutionality of the PC; and others, by the leader of National Union, Andres Allamand, who stated the contrary.

Guzman said: "If the signers of the Spanish Club document agree on the replies to the foregoing questions, then we will be in the presence of a new political event of major interest. On the other hand, if they do not agree, the citizenry will share the concerns of the UDI that the Accord, besides being dangerous, is not trustworthy."

In his remarks, Jaime Guzman stressed the contribution the 1980 Constitution had made to the building of a full and stable future democracy, and criticized the intent to transform it into "fuel for political passions." He called attention to the Constitution's main body of permanent articles, saying that it was inspired by the work of the Council of State and, prior to that, by that of the Ortuzar Commission, whose principal architect and inspirer had been former President Jorge Alessandri.

Pedro Ibanez, Former Senator, Former Councillor of State

"The power to govern is not transferable; it is not a bearer bond, a check that is endorsed. As a matter of form, it is conferred; but before it is conferred, it must be gained, it must be won. With an additional and prior requisite: It must be merited," said Former Senator and Former Councillor of State Pedro Ibanez in his remarks at the "Transfer of Power Seminar" organized by the magazine QUE PASA.

This "meriting of the power to govern" and the political transition are, in the opinion of the former member of Parliament and leader of National Union, the fundamental problems facing the nation today. He said the conflict is between those who are currently wielding the power of government and those who are seeking to gain it for their own ends. "But," he said, "that power belongs to neither of them; it belongs to the nation, and the nation must state, in some form, who is to exercise it."

The important questions at this time, he emphasized, are "To whom will the power to govern be transferred, and why?" He acknowledged, however, that, to date, it has not been possible to offer the country anything solid.

Referring to the National Accord, he stated that it should be considered as a mere tentative point of departure toward "a political system that could have very important impacts, but that could also fail," and that in its

essential aspects it embodies the proscription of totalitarianisms, respect for the values and dignity of the Armed Forces, respect for private property, and recognition of the institutional system currently in effect. "The consistency of this Accord has been and will be subject of debates. Depending on the way in which the signers behave with respect to diverse political circumstances, it is the test of time that will tell whether the consistency of the Accord was solid or was so fragile that it finally fell apart."

In relation to the "meriting of the power to govern," Ibanez said that it requires a political platform--a vast, complex and difficult undertaking--that has as yet not been addressed. The validity of such a political platform, he added, will depend on its inherent value and on the trust inspired by its authors as well as on the representativeness of its authors.

He concluded with: "The need presents itself with sharpness and clarity for new political focuses, expressed by a new configuration of parties, and for a new political class capable of responding to the demands of the era."

9399

3348/25

CHILE

## HISTORIC MOTIVES FOR MILITARY INTERVENTION REVIEWED

Santiago QUE PASA in Spanish 19 Sep 85 pp 36-39

[Article by Mariana Grunefeld]

[Text] "The old and discredited system of making promises without guaranteeing that they can be kept is repugnant to our honesty. The corruption in the political life of the republic was leading our institutions into an abyss toward which the very constitution itself was beginning to slide, pushed by purely personal interests. The probability of civil war loomed."

The Military Junta was taking power on 11 September, but in 1924. Under its protection, the Constitution of 1925 was emerging, the same constitution that would die 50 years later, on 11 September 1973. On that day, a new institutionalism was proclaimed: "Today; a new Chile is being born in which there are no winners and no losers. The nation has been freed of those bad Chileans who, turning fanatic because of the preachings of foreign mercenaries serving international Marxism, wanted to make Chile a country of slaves (...). This is not a military coup carried out behind the backs of the people. Rather, it is a gesture of national liberation and unity, which has taken the country back for all Chileans."

By reason or by might. The intervention of the military in civilian life seems to be guided by the old principle of Clausewitz: War is the continuation of (failed) politics by other means. With diplomacy thwarted, arms are the last resort. With the internal consensus in shambles and the civil conflict insoluble, nothing is left but military insurrection.

"Why do the Armed Forces feel they are the repository of the legality of a country?" we asked a well-known retired general, who replied: "And what else can you do when the Armed Forces end up being the last moral and material bastion of a country? When a nation falls into chaos and deterioration, then only one nucleus is left, the forces to which the government gave arms to defend the nation at home and abroad." Retired Gen Roberto Viaux, who sponsored one of the most spectacular military interventions in the civilian field with the quartering of the Tacna regiment in 1969, clarified his view: "When politicians fail in their political, economic and moral leadership, then the Armed Forces have the duty to intervene, interpreting the national majorities." They must do so, according to Viaux, because "the Armed Forces are fundamental, permanent institutions of the nation. They were born with the nation and even

before it and would only die if the nation itself should die. Constitutions, political parties and individuals are only fleeting. In contrast, the nation remains and the Armed Forces along with it, because they have the unavoidable duty of seeing that it exists."

An aversion to the style of politics, criticism of the past, a constant call for unity and the patriotic duty to intervene: These characterize the pronouncements of the Armed Forces. They trace a dividing line between the nation and the government in power. They owe their loyalty and support to the nation, never to the ones who govern. It is a fact that they feel removed from politics and responsible for the defense of the government. With the recognition of their sole mission in society, complacency over their virtues and aware of their power, the Armed Forces already have the seed to promote intervention.

Such intervention is not exceptional.

In Chile?

Of the 51 states existing in 1917 or before, all (except for 19) have experienced coups d'etat. Of the 28 nations created between 1917 and 1955, only 15 have not known a military uprisings. Government by the "empirical military autocracy" (differentiated from ideological, as in the USSR) has been the most common in the world for years. Exceptions seem to be the liberal democracies.

But what about Chile? It is not a special case, although people believe the contrary. From 1891 to 1973, the Armed Forces have intervened no less than 12 times in Chilean political life. Historian Gonzalo Vial recalls: In 1891, with the naval uprising, civil war began. In 1910, with the Military League, the installation of a civilian dictator, Gonzalo Bulnes, was promoted, but he finally rejected the post. The Armed Forces intervened again 9 years later with the conspiracy of Gen Guillermo Armstrong. In 1920, the northern army, which supported Alessandri, forced the installation of the honorary tribunal, which turned out to be decisive in enabling Arturo Alessandri to gain the presidency of Chile, even though his adversaries controlled the majority of the Congress and were in a position to constitutionally impose their own candidate, Luis Barros Borgoño. In 1924, the Armed Forces opened the way to social laws promoted by Alessandri and obstructed by the opposition. They then ousted the president and dissolved the Congress. In 1932, they again intervened in political life with the successive socialist coups.

Few, outside of a few serious students like Gonzalo Vial, recall that the military was once again present in 1938, enabling Pedro Aguirre Cerda to become president after winning the election by the narrowest of margins. Consequently, the defeated candidate, Gustavo Ross, threatened not to recognize Aguirre's victory. The commander in chief of the army and the director general of carabineros warned in letters published in the press that they would not guarantee the public order if Aguirre's triumph were not recognized. Ross immediately backed down. In 1939 came the "Ariostazo," the abortive coup of Gen Ariosto Herrera attempting to prevent the coming of communism which he saw in the advent of the Popular Front. In 1969, another intervention of the military came with Viaux' "Tacnazo," but based on economic motives.

But there is more. Between 1970 and 1973, the Armed Forces tried to revolt several times: in 1970 with the kidnapping of the commander in chief of the army, Rene Schneider; on 29 June 1973 with the "Tanquetazo" [tank incident]; and finally, on 11 September of that same year. "Perhaps the most outstanding milestone in a reality that has always been systematically present in the life of the country," concludes Vial.

According to political scientist Ricardo Israel, the infrequency of military interventions in Chile has been confused with the lack thereof. "In our country, we have not had bossism, for the interventions came with such a degree of institutional cohesion that they had a decisive influence on the formation of the state. In every important intervention (1924, 1973), a political structure was left that would survive beyond the objectives that led the military to intervene, which also prevented a 'Bolivarization'."

#### Feeling

The fact is that the Chilean Armed Forces did not want to leave the barracks. Those who called upon them to intervene in the political conflict were civilians, who considered that the latter could not be solved by conventional means. And it was not only Allende's opponents: Months before, the Armed Forces had already been called upon to co-govern and they did so twice. The most extreme case was when Allende made the continuation in office of the commander in chief of the air force, General Ruiz Danyau, dependent upon his continuing to be secretary of state.

Consequently, the Armed Forces have felt used.

In the Army Memorial, it is not difficult to find pronouncements on the issue and referring to 11 September. One example (Maj Carlos Duran, January-April 1975): "The sectors that defined themselves as rightist and that fought again against the Marxist Government have psychologically appropriated the military uprising. This is obviously a remnant of that lack of civic conscience mentioned, which leads individuals to occupy any possible circumstance for their personal benefit." He continues: "Along with the foregoing, information itself distorts the attitude that the government has adopted on international Marxism. This is an important factor of distortion and the lack of information. All economic interests, including those relating to information, heap praise for the government on the press (which no one requests), along with fierce hatred for Marxism. Behind that curtain, the vast majority of those interests maintain a sectarian, anti-Chilean attitude that hurts the government and alienates it from the national majority.

#### Lack of Recognition

The Armed Forces were viewed as being in a state of eternal hibernation, for which reason the 1973 intervention surprised civilians, says Augusto Varas, who has studied the question. Varas recognizes that in Chile, there existed a "growing lack of concern of civilians over the processes of the military institution. Civilians were concerned about spending, but did not care about the criteria for organizing a defense policy." Civilian-military co-existence was possible thanks to the fact that the civilians did not define



the strategic objective of the Armed Forces. They were never told how they were to develop and the country's defense policy was not coordinated. The training of the Armed Forces, their plans for modernization and professionalization were never the subject of a national debate. The only concern was reducing the budget.

Furthermore, the figures are clear. In 1955, 11.9 percent of public spending went for defense; in 1965, only 5.8 percent. It was a veritable powder keg that turned into a crisis in 1969. "There was a demoralization. In the barracks, soldiers criticized the military leadership and the government. Propaganda came from 'peasant, worker and military councils.' Soldiers wanted out because they could not live on their pay. Would it not have better for them to dissolve us?" Vialaux recalls.

### Lacking Agreement

Military intervention has always come about for professional and economic reasons, but also and above all, for political motives. "The intervention of the Armed Forces always has grave consequences when there is a very acute conflict between civilians," Vial says. If there is no conflict or if it is minor, military intervention has no effect. But if the conflict between civilians is very serious and if the determination to give it a way out prevails, then the military intervention does not alter the basic institutionality. It even promotes a negotiated solution. And yet, if the conflict between civilians cannot be resolved by them, then military intervention -- inevitable, according to Vial -- gives rise to profound and lasting institutional disturbances, such as those that occurred in 1891, 1924 and starting in 1973, the fault of civilians.

All of this was the result of "overall planning," as Mario Gongora calls ideologies. For the military, there was no longer any democracy. Institutionality had broken down and in 1973, "it was not our fault. It was declared by the Supreme Court, the Chamber of Deputies and the Bar." As one general recalls, "the Chilean Armed Forces, with greater emphasis than in other places, swear their loyalty to the nation on the basis of respect for the constitution and the law."

In addition, there is their anti-Marxism. Military thinking cannot conceive of the Armed Forces being involved in the contingent politics of the country or that there should be political commissioners who control them. It cannot conceive of collectivization. Their framework is more conservative," the former general says. There are also other motives for intervening. Political scientist Genaro Arriagada maintains that one of the decisive factors in the uprising was the attempt of civilian groups to question the military monopoly of arms. As Vial notes: "If conflicts turn out to be unmanageable and if the civilians announce that they are going to settle things by force, then military intervention becomes inevitable."

### Obedient and Not Deliberative

The 1973 coup came to pass. Military circles recall that "it was for the purpose of avoiding Marxism, but without any concrete plan.... In time, a specific

policy was implemented that the junta did not adopt as a resolution, but that did come about through the army." Further: "This government is of the Armed Forces, but we are obedient and not deliberative. Government policies are not defined by the institution."

Augusto Varas goes even further, declaring that from 1976 on, the Armed Forces gave up heading the country: "There is no military content in government program. In addition, there is no national security code" (in the army, the only thesis on the matter belongs to Col Humberto Julio, undersecretary of foreign relations). Consequently, their values have not permeated civilians. "They have been more in opposition than constructive," Varas says. Arriagada says: "It is a curious fact that the army agrees to be the basic element of power in the government, but it admits that it has no right to exert influence on its decisions." That is why many recognize the skill of this president for having known how to maintain the principle that the Armed Forces do not have their own doctrine; rather, they take up that of the government in power. Thus they submit to civilian power, at least for the time being...since the 1980 Constitution establishes the immutable 4-year term of the commanders in chief of each branch, which, according to politicians of the opposition, would in fact mean a permanent military coup if the military commands oppose a presidential order. Military officials argue that they thus protect themselves against manipulations that the political government might in the future make of them.

It will be a matter to discuss. Whatever the case, the problem of military intervention does not lie with the military but rather, with us, the members of civilian society who have to learn to settle our conflicts, according to Gonzalo Vial. That is why, speaking at a seminar organized by QUE PASA, he said that he is not concerned about when the military leaves, but rather, when they will return.

#### In Politics

#### Virtues

Superior organization

Symbolic status involving emotional elements

Monopoly over weapons

Interclassist; because of composition facilitates consensus

Recruiting of military elite simpler than that of civilian

Because of their vocation, are inclined to public service

Trained in the administration of material and personnel

#### Defects

Lack of technical skill in administering everything; need civilian assistance.

Lack of legitimacy or moral privilege to govern (whence the desire to become legitimate)

Structure of internal authority is hierarchical, authoritarian and disciplined. In government, consequently give priority to order and security and are more compatible with authoritarian regimes.

Difficult to handle citizen participation.

## Military Picture

The Armed Forces have 122,000 men (more than double the 1973 number). The number of generals has increased from 27 (1973) to over 50 and the effective firepower between 1973 and 1982 may be from 1 to 2.

### Increase in Personnel by Branch

|              | <u>1973</u> | <u>1982</u> |
|--------------|-------------|-------------|
| Army         | 32,000      | 52,000      |
| (Conscripts) | 20,000      | 30,000      |
| Carabineros  | 30,000      | 40,000      |
| Navy         | 18,000      | 28,000      |
| Air Force    | 10,000      | 15,000      |

Source: International Institute for Strategic Studies, London

### Defense Spending (US\$)

| <u>1973</u> | <u>1982</u> |
|-------------|-------------|
| 1,474.62    | 2,451.99    |

### Military Spending as Percent of Health Spending and Total Fiscal Spending

|      | <u>Fiscal Spending</u> | <u>Health Spending</u> |
|------|------------------------|------------------------|
| 1973 | 26.5                   | 260.5                  |
| 1977 | 42.8                   | 544.8                  |
| 1984 | 22.4                   | 649.1                  |

Source: A. Varas, "Military Regime and Government. Chile 1973-1985" (to be published)

### What Officers Think

Profound nationalism; high respect for the judicial-legal system, basically represented by the constitution; conviction of the supremacy of a democratic system, but a strong one: recognition that the democratic system has as its sole limitation that of preventing the formation of other parallel political systems that would signify its destruction by legal means; absolute rejection of absolutist and totalitarian doctrines; preference for a decentralized, authoritarian government with respect to moral and civic discipline and the hierarchy; recognition of the preeminence of the individual over the state and the basic worth of the family. support for the principle of subordination; recognition of the value of private enterprise; support for Western Christian culture. Source: "Essay on a Definition of Political Thought of Officers of the Chilean Army," January-April 1977.

COLOMBIA

#### LIBERAL CENTRAL POLITICAL COMMITTEE SPLIT ON ISSUES

Bogota EL ESPECTADOR in Spanish 25 Sep 85 p 5-A

[Text] The Turbay and Lopez factions, different in their ideological conceptions, have begun to have ever greater quarrels within the Central Political Committee, mainly on two issues: the peace process and reform of Article 120 of the constitution.

The Lopistas, who back the elimination of Article 120, accuse Turbay of trying to impose his opinions at all costs and of endeavoring to manipulating the members of the Central Political Committee. They add that Turbay appears to be more interested in the elimination of subversion by the military system than in the triumph of the candidacy of Barco and the party.

The Lopistas, motivated by the most recent public appearances of their leader, defend the popular election of mayors as something necessary and fitting in order to prevent more people from resorting to arms as a result of a lack of alternatives. They maintain that it is necessary to continue to seek peace through political means "because they are less costly than a military confrontation."

They add that at the last meeting, Councilman Ernesto Samper confronted Turbay's position and left a written statement in 15 copies asserting that one cannot torpedo the popular election of mayors by virtue of the simple fear that a few of these posts might go to communists, for then there would be no purpose in inviting them to participate actively in the political process if there are no real intentions to allow them to sit at the table.

He adds in the report that "the so-called democratic opening must be supported by Liberals, not because it has been requested by the armed groups, but rather, because it is the very condition for the survival of our party."

Former President Turbay, supporter of a more conservative line, has maintained the fear in the Political Committee that the Patriotic Union might seize some 30 seats in Congress and other posts in public corporations through armed means and intimidation in areas where liberals have a majority of the votes.

COLOMBIA

LIBERALS PROPOSE DECENTRALIZATION OF INDUSTRIAL DEVELOPMENT

Bogota EL TIEMPO in Spanish 6 Oct 85 pp 1-A, 12-A

[Text] Yesterday in Cali, Virgilio Barco, the presidential candidate and director of the Liberal Party, proposed an earnest, coherent and harmonious development plan for the next 4 years that takes maximum advantage of the country's resources, and he called for an end to makeshift plans and for putting public works financing in order.

Barco spoke yesterday evening at the National Congress of Contract Engineers and after discussing at length the situation in Colombian engineering and the problems in the field of public works, he called on the country to combat "the terrible scourge of corruption" with all its might and resolve.

He said that the plan is designed to decentralize industrial expansion and to strongly spur the agricultural sector, adding that the corresponding public works programs would be implemented, from the construction of roads to the installation of hydroelectric power plants.

"The contracting agencies must plan these public works projects and finance them properly," he indicated, adding that we have to make use of what the transnational corporations can contribute from overseas but without abandoning domestic engineering, which is at a disadvantage.

He noted that in road construction "we are moving backward" instead of forward, indicating that consortiums of several firms could compete successfully with other companies inside and outside Colombia.

"We will tackle the fiscal disarray that has resulted from the current administration's improvisation," he emphasized. "From 1982 to 1984 operating costs rose 50 percent while investment has declined."

"The country knows my track record well enough as minister of public works and agriculture, as mayor of Bogota and in other positions of responsibility that I have held throughout my life," the Liberal candidate noted.

He recalled that as public works minister between 1958 and 1960 he completed the Atlantic railway project and Eldorado Airport, pushed forward with the



Bocas de Ceniza project, built the network of major highways and created the Colombian Ports Enterprise.

"When I served as agriculture minister from 1960 to 1965, I set in motion all of the INCORA [Colombian Institute of Agrarian reform] irrigation and drainage projects, which unfortunately were suspended later on before they could yield the expected results. During this period we built dams, canals, levees and many other projects that the country ought to finish and use appropriately," Virgilio Barco concluded.

#### Orderly Change

In his message to the FEDELONJAS Congress meeting in Pereira, Barco outlined his plans for an orderly and swift change in urban policy, indicating that "the Liberal Party has a broad and realistic approach to meeting the housing needs of all families."

He voiced misgivings about President Betancur's program of "homes without a down payment," adding that "the next administration must get ready to solve service infrastructure problems in the areas in which 'homes without a down payment' were jury-rigged."

The Liberal Party director did not attend the FEDELONJAS Congress because he had to speak at the Conference of Liberal Educators at the same time in Cali. He did, however, send a major message that was read by Dr Jaime Nuñez.

After observing that there is a shocking imbalance in Colombia's urban and regional structure, Barco indicated that today's urban overcrowding shows that resources have been utilized so far in a disorderly, makeshift fashion in which individual profit has been the goal.

"There are still those who feel that it is not urgent to rationalize the use of lands by establishing drastic regulations, perhaps because they believe that it is socially acceptable to expel peasant farmers from squatter districts in which they might succumb to the natural adversities of virgin land," he said.

He indicated that these are the same people who are the first to complain about land takeovers, the deterioration of downtown urban areas and, in general, the economic recession.

"I cannot agree with these views," he noted, "nor can I promise, as you will understand, that my administration is going to keep things the way they have been till now. On the contrary, I am proposing an orderly, swift change to establish a more just balance under the rule of law."

He recalled the accomplishments in urban and regional development that Liberal administrations have made, pointing to the governments of Enrique Olaya Herrera, Eduardo Santos, Alfonso Lopez Pumarejo, Alberto Lleras, Carlos Lleras Restrepo, Alfonso Lopez Michelsen and Julio Cesar Turbay Ayala. He then noted: "In the institutional sphere the contribution of Liberal

administrations has been of far-reaching importance for urban and regional development."

Barco said that "the absence of an explicit urban and regional development policy under the Betancur administration is inexplicable." He indicated that "the targeting of investment and the allocation of resources based on the spontaneous decisions of market forces or pressures from local government in a few regions, have placed remote municipalities and the less developed regions at a disadvantage."

He reiterated that the Liberal Party would spur decentralized development through alternate cities such as Duitama, Paipa, Sogainoso, Aguachica, Ocana, Buenaventura, Tumaco, Ipiales, Barranca, Magangue, El Banco, Espinal, La Dorada and San Martin.

"The function of these cities in regional development will be to bring urban life closer to rural areas, thus making it easier for the local population to remain in their hometowns," the candidate said, noting that "the urban planning approach that I will promote in my administration will not emphasize the quantitative as much as a better quality of life."

After observing that next year marks the 50th anniversary of the constitutional provision introduced by Dr Lopez Pumarejo, under which "property is a social function that entails obligations," Barco said: "The Liberal Party feels that from the standpoint of social interest and economic efficiency, it is reasonable for all lands in cities and surrounding areas to be opportunely incorporated into urban development in accordance with the collective good as defined in municipal plans. It is also reasonable for the higher value of lands, as a result of government action, to revert back to the community, at least in part. Consequently, we propose to facilitate the timely acquisition of those lands defined as of priority use for social interest programs in local development plans. It will not be necessary to reinvent expropriation, which is provided for in Article 30 of the constitution; it will suffice to introduce progressive changes in the urban land tax code to discourage the ownership of idle land."

8743

CS0: 3348/61

COLOMBIA

ANDI HEAD SAYS GROUP NOT IMPRESSED BY ANY OF 3 CANDIDATES

Bogota EL ESPECTADOR in Spanish 21 Sep 85 pp 1-A, 3-B

[Article by Dario Fernando Patino]

[Text] Cartagena, 20 Sep--The president of the National Association of Industrialists (ANDI), Fabio Echeverri Correa, directed his attack at candidates and young government officials yesterday, accusing some of not being clear about what they do and labeling others as inexperienced and arrogant.

In a dialogue with newsmen only hours before the ANDI congress came to a close, Echeverri Correa expressed the disappointment of industrialists over speeches made Thursday by presidential candidates Alvaro Gomez Hurtado, Virgilio Barco and Luis Carlos Galan.

Although he emphasized that the conference of Alvaro Gomez Hurtado was the clearest and most precise with respect to the issue at hand, he said that in general, political leaders are not very clear or substantive about how the country should be led.

The only coherence he saw was the importance given to an urgent change in government structures.

He labeled as important the extemporaneous confrontation in the election debate and criticized the candidates' advisers for making thousands of corrections and for modifying speeches based on what rivals had said only minutes before.

"That is not correct because the speeches do not correspond to what the candidates are thinking. Nor is it proper to invent arguments based on those of the others simply in order to appear more intelligent. That is not the expression of a person's desire and determination to do something," he said.

"I believe that the people must be told the truth rather than continue to be deceived because with such deception, we are promoting a terrible revolution in this country. When one campaigns, he must pledge to do things for the future, but not try to look more shrewd or wise."

He said that the candidates are being fed their positions by a few intelligent persons traveling with them, but he noted that the problem is that it is not those intelligent persons who become president and that consequently, big surprises are in store.

## Young Officials

When asked about a formula that he might propose to bring the country out of its mess, the industrialists' representative said that the country could do without 80 percent of its technical advisers and replace them with 80 percent who would work. He added that it mattered little whether the politicians were left out.

"What we have to get rid of are all those little advisers who come from abroad with no idea about anything, those guys who at age 50 still feel like children and who still study at Harvard. Those little kids have never paid their dues, have never worked on a production line, have never castrated a bull. They have never left their offices, but they nevertheless talk and write out regulations and standards that are pure rhetoric."

Concerning this category of officials, Echeverri Correa generally criticized the measures of the Monetary Board which, in his opinion, are a Colombian Tower of Babel.

"They (the members of the Monetary Board) have devoted themselves to writing formulas and doing exactly the opposite of what they should. The measures of the Monetary Board should be clear, precise, exact, simple and what they draft is intricate, difficult, contradictory and confusing so that one cannot comply," he added.

## Social Development

The president of ANDI emphasized that the social strategy proposed by the government for the months to come cannot be carried out. "I do not know what it is, what it will consist of, what it will be a question of, whether it will have almonds in it or be frosted with chocolate!"

He said that during the remainder of the government's term in office, nothing will change because he does not believe there is the will or the time, since everyone will already be caught up in campaigning.

He contradicted the Betancur Administration on the idea that the obtention of \$1 billion would solve most of the economic problems and said that it would only alleviate the situation, not be a panacea.

## Owe Nothing

The official admitted that this government has helped industry considerably, for there has been credit, albeit expensive. The Framework Foreign Trade Law was created, along with the statute on official purchases, and the Ministry of Development is being reformed.

Nevertheless, when asked why he was so critical of the Executive Branch, he responded: "They were only giving back something to which we were rightfully entitled. I have no reason to be eternally grateful to someone when they

give me what is coming to me. It is just like not having to thank my secretarial staff for arriving at the office at 8 every morning."

When asked to grade the Betancur Administration for his union, he said that in discipline, good will and religious duties, it would receive good marks, but not so on economics. However, he said that "the government more or less passes."

11,464

CSO: 3348/15



COLOMBIA

HOUSE OF REPRESENTATIVES DEBATES EL CERREJON PARALYSIS

Bogota EL ESPECTADOR in Spanish 17 Sep 85 pp 1-A, 11-A

[Text] The House of Representatives will begin debate today on the consequences of the virtual paralysis of operations at the Central Zone of El Cerrejon coal mines, caused by the government's decision over 5 months ago to cancel the operating contract it had made with the Colombian-Spanish consortium Domi-Prodeco-Auxini.

On the recommendation of the Liberal representative of La Guajira, Jose Vicente Berardinelli Solano, the ministers of mining and energy, Ivan Duque Escobar, finance, Roberto Junguito Bonnet, and labor, Jorge Carrillo Rojas, explained to the House the economic and labor effects of the paralysis of the major project and prospects of resuming coal mining operations. The comptroller general, Rodolfo Gonzalez Garcia, and attorney general, Carlos Jimenez Gomez, were also summoned by the representative.

Reasons

Operations at the Central Zone of El Cerrejon slowly came to a halt as the result of the decision made by the Colombian Coal Board in April to unilaterally cancel the contract with the Colombian-Spanish consortium, due to the fact that the difference between operating costs and prices resulted in losses of some 1,200 pesos per ton sold.

In a debate by the House Fourth Committee in April, the government stated that Colombian Coal would have a new partner for working the central zone of El Cerrejon or that the terms of the contract with Domi-Prodeco-Auxini had been renegotiated, but that whatever the case, operations would not be halted.

Renegotiations with that consortium were recently discarded and the government opened national bidding in search of a new partner. The bidding, reduced to seven proposals, came to a close on Wednesday of last week, and the contract will be awarded within the month.

Berardinelli Solano will ask Mining Minister Ivan Duque Escobar the cost of the virtual paralysis of mining operations and the fate of the project if the contract is not awarded to any of the firms participating in the bidding.

The contract with Domi-Prodeco-Auxini was signed in April 1981, valid until 1990, but it was liquidated ahead of time by Colombian Coal because of the drop in international coal prices.

The congressman will investigate conditions under which the contract was awarded, the degree of compliance on the part of the company over the 4 years and the reason why talks aimed at renegotiating the terms of the contract with the Colombian-Spanish consortium were halted.

Berardinelli wondered whether the Colombian Coal Board had analyzed the economic, legal and social consequences leading to the final shutdown of mining operations and said that he supported extending operations by the consortium until the new partner resumed operations.

#### Indemnification

Berardinelli intends to establish whether the government will indemnify the Colombian-Spanish consortium Domi-Prodeco-Auxini for unilaterally terminating the contract and whether the treasury has the necessary resources to do so.

The minister of mining explained some months ago that CARBOCOL had to pay the consortium \$30 million for the value in pounds of company assets, which would then become the property of the state company, but he noted that such payment, to be made before 1 September, did not constitute indemnification.

Another question put to Comptroller Rodolfo Gonzalez Garcia sought to learn whether the government had been forced to pay indemnifications for failure to keep civil or administrative contracts occasioned by the operation of El Cerrejon Central and, if so, how much.

#### Technical Capabilities

The conditions of the public bidding that came to a close last week, as well as the technical level and financial capability of national enterprises participating in it, will also be the subject of debate.

Duque Escobar will explain under what conditions commune members in the region will remain and the viability of the proposal formulated in order to take over operation of the mines.

He will also specify the fate of the assets of the Colombian-Spanish consortium and explain whether there is any possibility of their being turned over to the new contractor or disposed of by the state company.

The agenda will also include labor problems caused by unilateral suspension of the operating contract. The Colombian-Spanish consortium has asked the Ministry of Labor for authorization to lay off nearly 300 workers and the ministry is considering the possibility of solving the problem through the rehiring of the workers by Intercor, a subsidiary of Exxon and operator in the Northern Zone, as a replacement. However, it has not yet been decided whether Intercor will receive all the consortium's workers.

BISHOPS ADDRESS PEACE PROCESS, PREPARE FOR POPE'S VISIT

Bogota EL ESPECTADOR in Spanish 24 Sep 85 p B-3

[Article by Carlos Alberto Junca]

[Text] The Colombian Church said yesterday that the Gospel cannot coexist with all the forms of violence that sow anxiety and seriously damage brotherhood and social living. It announced that in the days ahead, it would have a vigorous statement on the matter in "these times of social and economic confusion."

At the installation of the special conference of bishops called to prepare for the visit of Pope John Paul II and make a preliminary analysis of the Second Vatican Council, as well as study the situation of the country and other matters, the president of the Colombian Episcopal Conference and archbishop of Bucaramanga, Monsignor Hector Rueda Hernandez expressed his concern over the contrasts between the desire for peace, acts of violence and the diversity of opinions on pacification of the country.

"Some, dogmatic on the armed struggle and peace by force, do not believe peace is possible without repression. Others believe that the search for peace is a humiliating weakness and a betrayal of the revolutionary cause. They persist in the revolution and guerrilla struggle because they do not want to maintain the established order, but rather, seek to overturn the existing social structures and systems," the prelate said.

In his pastoral address, Rueda Hernandez noted that "it is troubling to see the contrast between the desire for peace, the determination of a nation exhausted by violence, the magnanimous feelings and purposes of amnesty and pardon and the government's hand peacefully extended to those engaged in violence, and the adverse circumstances that obstruct our path with bloodshed, violence and terrorism."

Rueda said that "peace must be achieved in truth, built in peace, moved by love and achieved with freedom."

## Gospel and Violence

Reiterating the position of the Church on the important issue, he said that "just as light and shadows cannot coexist, nor can the spirit of the Gospel coexist with hatred, holdups, kidnappings, assassinations, guerrilla warfare and all forms of violence that sow anxiety and seriously damage brotherhood and social living."

He said that the pastoral document on the country's situation, to be released this week, will be imbued with the "evangelical spirit so that it may carry the saving grace of Jesus and bring words of justice, love and peace that will respond to questions on events and phenomena that cruelly confuse the country."

The high official in the Colombian Catholic Church urged the faithful to return to authentic Christian life and condemned the many forms of oppression and exploitation, suffering and injustice suffered by our brothers, the indifference and lack of concern over such miserable living conditions, housing and work that are incompatible with human dignity.

He emphasized that these deplorable circumstances "cannot go along with the waste and thirst for pleasures and well-being of those enclosed in their own selfishness."

## Pope and Peace

Archbishop Hector Rueda reported on the objectives of the episcopal assembly meeting for 4 days and referred in particular to pastoral plans for the visit of Pope John Paul II to Colombia, scheduled for June of next year. He expressed the hope that "his message of peace might guide and stimulate the rocky peace process, desired by everyone and threatened everywhere."

He said that the august presence of the Pope among us will be a call for unity and ecclesiastical cohesion for all Colombian Catholics. "It will help Colombia a great deal to hear the voice of the Pontiff defending the high values of the spirit and demanding the sacred rights of human life, liberty and justice."

The Pope will visit Colombia on the occasion of the 450th anniversary of the renewal of the image of Our Lady of Chinquiquira.

Another of the points to be taken up at this special conference of bishops will be the preliminary study of the first 20 years of the Second Vatican Council, the central theme of the Special Synod to be held in Rome in November.

11,464

CSO: 3348/15

COLOMBIA

BRIEFS

POLL: CANDIDATES ALMOST EVEN--Liberal candidate Virgilio Barco was ahead in the election poll that the radio network RCN conducted on Thursday and Friday throughout the country and that will last for a month. During the first 2 days of the poll 154 persons from every social stratum have been interviewed in the country's main cities. The vote breakdown is as follows: Barco, 35; Luis Carlos Galan, 30; Alvaro Gomez, 30; the Patriotic Union candidate, 7; Alvaro Uribe Rueda, 1; Alberto Santofimio, 1; undecided, 17; not voting, 32; blank, 1. The poll will be expanded on Monday to medium-sized cities, small towns, villages, hamlets and rural areas. It will conclude on the last day of the month. [Text] [Bogota EL TIEMPO in Spanish 5 Oct 85 p 6-A] 8743

CHANGES IN ARMY COMMAND--There will be major changes in high-level military commands over the next few days as a result of officer promotions and graduations. The moves, which are traditional around this time of the year, will affect several brigades and other command posts in the Armed Forces, knowledgeable sources said. According to the accounts that reached EL TIEMPO, Maj Gen Rafael Zamudio Molina will be promoted to three-star general and will continue to head the army command. Brig Gen Enrique Baron Valencia will be promoted to major general, and Cols Roberto Ibanez, Carlos Chacon and Augusto Rodriguez will be promoted to brigadier general and placed in charge of the Neiva, Florencia and Puerto Berrio brigades, respectively. It was also learned that Gen Eduardo Rocca will be the new commander of the Brigade of Military Institutes headquartered in Bogota and that Gen Frank Yanine Diaz will move over from the 14th Brigade to the directorship of the Jose Maria Cordoba Military School for Cadets. It was also learned that the new army chief of staff will be Gen Oscar Botero, while Gen Ernesto Lopez Ramirez will be the new inspector general of the army. The new military attache in Washington will be Gen Diego Gonzalez Ossa, and the command of the Second Division will be assumed by Gen Fernando Gomez Barros. The Third Brigade, headquartered in Cali, will be under the command of Gen Hernan Guzman Rodriguez. It was indicated that Gens Alberto Andrade Anaya and Jesus Arias Cabrales would retire. [Text] [Bogota EL TIEMPO in Spanish 4 Oct 85 p 2-A] 8743

CSO: 3348/61



JAMAICA

# PNP COMMENTS ON SEAGA REPLY TO CALL FOR ELECTIONS

Kingston THE DAILY GLEANER in English 3 Oct 85 pp 1, 3

[Text]

The People's National Party said yesterday it did not expect an endorsement of the Party's alternative economic policy from the Prime Minister and has described Mr. Seaga's response to the call for elections as predictable.

The PNP's reactions in separate statements from the Party's General Secretary, Dr. Paul Robertson and Chairman Mr. P.J. Patterson, were in response to Mr. Seaga's comments on the call for elections on the basis that the JLP's five-year term of office won in 1980 would end this month and to the Party's alternative economic policy, both put forward at the recent PNP conference by PNP President Michael Manley.

Mr. Seaga had said that he had won a five-year term in 1983 in constitutionally-held elections. He had also described the PNP's alternative as the same policy which had failed in the 1970s.

In his statement yesterday, Dr. Robertson said: "Mr. Seaga's reaction to the PNP's call through Party Leader, Mr. Michael Manley, for new General Elections by December 15 is predictable since it is now clear to the nation that Mr. Seaga is incapable of understanding the principle of constitutional morality.

"October 30, 1980 was the date of the last genuine Elections held in Jamaica. The five-year term of office of the Seaga Government, as a consequence, expires at the end of 1985 when allowance is made for the

extension permitted by the Constitution."

Dr. Robertson said the overwhelming majority of Jamaicans did not regard the elections of December 1983 as "an acceptable exercise of the Jamaican electoral process," or as having given Mr. Seaga a mandate for a further five years.

He said, "The vast majority of decent Jamaicans reject the notion that a Prime Minister can break his agreement with the Opposition Party and his pledge publicly given in Parliament to the nation in order to maintain himself in office by political fraud.

"The vast majority of the Jamaican people know that what is morally wrong cannot be politically right."

Dr. Robertson said Mr. Seaga could not "rely upon a strict and doubtful legality to excuse immoral political conduct." In matters of political principle it was the judgement of the people which was crucial, he said.

The PNP General Secretary said: "It is true that a Prime Minister has the legal right to determine the date of elections. It is, however, also true that every Jamaican person of adult age has a constitutional right to exercise the franchise.

"The pledge and the undertaking given by Mr. Seaga were for the protection of the right constitutionally given to every adult Jamaican

person to vote in Elections. He cannot, therefore, morally exercise his right to call Elections in breach of his pledge to the nation. In doing so he deprived large numbers of persons of their constitutional right to vote, by calling Elections at a time when they were unable to exercise this right because through the trickery of the Seaga Government over 150,000 persons were not registered as voters. Mr. Seaga cannot succeed in escaping the responsibility for his indefensible conduct by the sleight of hand in trying to blame the PNP for its refusal to contest the December 1983 farce. A Party of morals could not in any conscience participate in what was clearly a fraudulent process."

The PNP said "any Prime Minister who fails to appreciate the moral basis of Government is unfit to be Prime Minister."

Dr. Roberston repeated the PNP's charge that the JLP Government had "run the course of 5 years for which it was elected in 1980," and said the

time has come when it should face the verdict of the people. The people of Jamaica expect to exercise their right to choose. He said the PNP's "demand" for new elections has the support of the majority of the Jamaican people. "Mr. Seaga's stubborn refusal to comply exposes his dictatorial inclinations, and his contempt for our democracy."

"The People's National Party intends to keep this issue at the focus of attention in Jamaica and the wider international community," Dr. Robertson said.

Mr. Patterson in his statement said the PNP's "alternative" was based on certain principles which were at fundamental variance with those of the Prime Minister. He said Mr. Seaga had stated he had no intention of changing any feature of the Government's policy which Mr. Patterson said had failed. If Mr. Seaga was so convinced that the alternative was unacceptable he should give the electorate an early opportunity to decide, Mr. Patterson said.

JAMAICA

DETAILS EMERGE OF PNP ALTERNATIVES TO GOVERNMENT POLICIES

Program Highlights

Kingston THE SUNDAY GLEANER in English 22 Sep 85 pp 1, 2

[Text] The People's National Party will advocate a fixed rate of exchange as one aspect of the alternatives to current Government policy expected to be endorsed by the annual conference which winds up in public session at the National Arena today.

Conference sources disclosed these other points in 'the alternative':

--In the area of balance of payments, the PNP will increase bauxite production to between 8 to 10 million tonnes yearly by securing new markets in the centrally-planned economies in the Eastern Bloc countries. Diversified trade will also be sought with these states.

--Banana and sugar production will be restored to 100,000 tons and 300,000 tons respectively.

No 'Scatter-shot' Taxation

--There will be a fixed rate of exchange.

--National Budget to be restructured to a three-year budget cycle.

--Increased capital development will be a priority.

--Taxation will not be dealt with on a "scatter shot" basis of being imposed overnight for collection the following day.

--Role of the Central Bank will be diminished to keep down interest rates.

--Country will have to endure "higher than desirable levels of inflation," a "small price to pay" for planned and achieved targets for growth in employment and output.

--PNP will pursue a more enlightened monetary policy; will regulate the economy to protect domestic producers against cheap and artificially priced imports.

--Will strengthen Caricom as a base, then deal with third country markets; and will deal with youth unemployment through Community Enterprise Organisations.

A call for a reshuffle of the party's Shadow Cabinet was one feature of the discussions on the alternative policy during the private session of the conference which began Thursday night.

Conference sources said yesterday that Dr D.K. Duncan was critical on Friday of the form of the alternative but not the substance. He felt that areas were not dealt with comprehensively, but instead in a hurried fashion.

In calling for a reshuffling of the present 17-man Shadow Cabinet, he expressed the view that the members of the "Cabinet" were not pulling their weight. He made his comments to resounding applause.

Dr Duncan along with other delegates who took the conference floor microphone also criticised the present frontline spokesmen who have been assigned the responsibility of promulgating the PNP's alternative.

Party leader Mr Michael Manley, sources say, was critical of the style of certain constituency representatives who were behaving as though they were elected representatives.

Mr Manley, who was reelected leader of the party last night, addresses the public session today on the party's alternative policy.

#### Manley Presentation of Plan

Kingston THE DAILY GLEANER in English 23 Sep 85 pp 1, 3

[Text] President of the People's National Party, Mr Michael Manley, yesterday unveiled the party's alternative economic and social plan which he said was geared at taking Jamaica into the 21st century.

The main planks of the plan deal with the elements of "people, participation, unity, cooperation and openness" which will be emphasised in the establishment of a National Planning Council under the chairmanship of a PNP Minister of Finance with membership from a wide cross section of the country.

The PNP President bared the alternative, which seeks to forge stronger trading links with the social democratic countries of Europe, against the background of an appeal to Prime Minister Seaga to take the decision to call elections before his five years in office expire.

Mr Manley was delivering the presidential address to the public session of the 47th annual PNP conference in the National Arena, crammed with thousands of supporters and well-wishers, prominent among whom were members of the business community and the diplomatic corps.

"We are not enemies of the United States, we are friends of the United States; but we will also go to Europe where because of the work of the PNP, Jamaica

stands high in all of the great forces of social democracy in Europe," Mr Manley declared.

He said that when the PNP took power, its government would find an agreement with the International Monetary fund in place. The then PNP Government would examine the provisions of the IMF accord to see how it stood alongside the plans and strategic objectives of the party.

"We will go around the world to see what sources of foreign exchange are available to us. We're confident that U.S. economic assistance will continue because we will be elected by the same (Jamaican) people who elected Seaga," Mr Manley said.

He urged cheering supporters not to believe that the PNP would not retain friends in traditional quarters; but he added that the next PNP Government would gain friends from new quarters.

"Europe is a major economic power in the world; social democracy is a major force in Europe--the great Labour Party of Britain, the great Socialist Party of France, the great Workers Party of Spain, the Social Democratic Party of Sweden and the SPD of Western Germany are solid friends of the PNP. Don't feel lonely because we're going nowhere on our knees; we're going on our feet and we walk as men and women. 1980 you were lonely, I was lonely; but 1985, we find that we are not lonely anymore.

"We will start to negotiate with the IMF. We will sit down and talk with them and say look at our objectives; not what Mr Seaga wanted, but what the people of Jamaica want. We will bring this to the point where the best foreign exchange regime that is consistent with our strategic objectives--that is where our target will be.

"The day we take office and start to talk with the IMF, we will share with our National Planning Council and institutional leadership every development in those negotiations. I will report to the PNP and from time to time, report to the Jamaican people. If we do not share it with you we can't succeed. You know already that an IMF is pain, but equally if you have to go on another path there are also pains.



"No path is easy; every path is struggle. What we finally may do or may not do is not a thing I can tell you now. What I know is that I'm going to find problems and I'm going to come share the problems with you and together we will decide the best course for Jamaica; whichever way we go it will be our way, the people way," Mr. Manley said to rousing applause.

Giving other elements of the plan, Mr. Manley said that the auction system was not stopping the problem, and the next PNP Government would fix the exchanged rate because the nation was paying a high price for sacrifice and more pain.

A system of allocating foreign exchange on a priority basis to such areas as agriculture, tourism, industry and for the purchase of critically needed medicine would be developed. The auction, he said, could not give any priority now because the only persons who could get priority were those who had money.

Following the setting of the exchange rate, he said that if it was found that Jamaica was uncompetitive, his Government would have the "courage" to devalue the dollar. However, he noted that imports must be managed; luxury imports which could not be afforded would be banned; some would be put on quota while taxes would be applied to others.

Mr. Manley said that a system of selective protection would be introduced to ensure that local industries got the protection they needed for them to produce effectively. The Caricom market, an extended home market, would be revived and exter-

nal markets explored in due course.

A selective programme to bring relief to industries such as tourism, agriculture and manufacturing under the credit squeeze would also be introduced. The rate of interest would also be lowered for these industries, especially for the housing sector to provide cheaper homes for individuals.

Mr. Manley said that an effort would be made to ease what he said was the pressure of the liquidity ratio; but the extra money available would be directed to be used as an economic priority for the development of the country in the areas of employment and capital formation.

This release of funds, Mr. Manley added, would slightly fuel the black market, which was in operation now anyway; but he would prefer a short-term problem of the black market in order to ensure economic growth and growth in employment.

Sugar production would be upped to 250,000 tons while banana production would be increased to 75,000 tons. Land lease would be revitalised and legislation put in place to ensure that a succeeding government could not dismantle the programme as Mr. Seaga did, he said. All agencies that deal with land will be put under one umbrella.

The alternative plan envisages the development of an additional market for Jamaica's tourism in Europe as well as Jamaica's own domestic trade. Joint venture projects between Government and the private sector would be developed, Mr. Manley said.

Greater markets for Jamaica's bauxite would be explored; work

would be done to convert bauxite processing from oil to coal. Sugar would be used as a source for other bi-products; attempts will be made to build Jamaica's own fertilizer industry; and pulp for the country's paper industry will be produced from pine trees here.

On the social side, Mr. Manley told the conference that National Councils would be set up for Education and Health with representatives of the Jamaica Labour Party on them. "We have to find a way to take education out of the pushing and pulling of party politics," Mr. Manley said.

Community Councils would be revitalised in a way that they could not be dismantled by anyone, he said. The foreign policy of the next PNP Government would remain the same.

Mr. Manley also touched on the media, labour, Local Government, sports and culture, which would be treated to a new approach.

Jamaica would be transformed into a Republic with a ceremonial president, patterned off the Trinidad and Tobago model, two years after the PNP took office, Mr. Manley said. In these two years there would be discussions among the people and with the JLP.

He warned his audience that the turn of the century was not far away. "We are now in the age of computer, cybernetics, and micro chips. We must read where the tide of history is moving or time will pass us by," he said, adding that as we enter the 21st century, "Government can't do it alone, the private sector can't do it alone, it is you the people who have to do it."

Copy to Seaga

Kingston THE DAILY GLEANER in English 24 Sep 85 pp 1, 3

[Text] A cover letter with a copy of the People's National Party's alternative social and economic plan was delivered to Prime Minister Edward Seaga yesterday, according to President of the People's National Party, Mr Michael Manley.

Mr Manley told a news conference at his Party's headquarters yesterday that the document which represented an emulation of the Scandinavian and Australian experiment, was sent to Mr Seaga, particularly to save him the trouble of "purloining it as is his usual custom."

The Party Leader who also called for Mr Seaga to go to the polls said that he was "fit as a lion" and his Party was not at all in a fragile condition because there was a high degree of internal cohesion and unity.

He also said that there was a tremendous amount of attention and thought given to the Party's alternative.

Mr Manley told reporters that the reason for the PNP presenting its alternative at this time was that Mr Seaga's five-year tenure was coming to a close. He said that anyone who was involved in the democratic political system should learn to live with its exigencies. He said he had announced general elections ahead of schedule in 1980 when the opinion polls showed that his standing was low.

He said the party was calling a public meeting in Half-Way-Tree Square on Sunday, November 3, to take note of the fact that Mr Seaga had either called elections or he had not done so.

"I am watching to see whether right will be done," Mr Manley added, in obvious reference to the PNP's demand for Mr Seaga to reverse what the party described as the fraud involved in the calling of the 1983 elections.

The redefining of constituency boundaries should be completed within time for the elections this year, Mr Manley said, and this he confirmed with PNP General Secretary, Dr Paul Robertson.

Dealing with the alternative which he unveiled at the National Arena on Sunday at the public session of the Party's 47th annual conference, Mr Manley said that the plan had proven to be most successful in Scandinavia while the new Australian Prime Minister had begun experimenting on this approach.

"I want this to be an evolving thing; I want to get it on the ground first," he said in reply to a question regarding whether he would introduce legislation in Parliament to have the plan passed into law.

The PNP leader said that he hoped that the alternative plan would be a permanent operational model to serve the country for the 21st century.

Kingston THE SUNDAY GLEANER in English 29 Sep 85 pp 1, 2

[Text]

**P**rime Minister Edward Seaga has described the "alternative" policy revealed by the PNP at last Sunday's annual conference, as the same policy which failed the party in 1978.

Mr. Seaga said that basically the policy meant printing more money to fund government works and expand the role of the public sector in order to initiate growth. But this had created massive inflation and no real growth, then.

The growth and "all the things that were expected (by the PNP government) back in 1978, could not materialise because the policy was self-contradictory. The policy would lead to more substantial price increases than currently, and would retain the same foreign policy with the dominance of leftist thinking and Cubans, as well as anti-American positions which went against the grain of local sensitivities."

Mr. Seaga was speaking to hundreds of guests at West Kingston Development Committee fund-raising dinner/dance at his official residence, Vale Royal, on Friday night. The money is to be used to finance community projects in his West Kingston constituency.

The Prime Minister and his wife, who were the hosts for the night, blended with the crowd and opened the dancing to the Peter Hudson Trio, after the speeches. They were also presented with a painting of their favourite flower, orchids, by Mrs. Minerva Shoucair, the painter. The Tivoli Gardens Singers also performed.

### Surprising

Mr. Seaga in addressing the alternative policy, said: "I have analysed this alternative and, what is very surprising is that the alternative turns out to be nothing more than the exact same strategy that was adopted by them in 1978.

"In 1978, the then government took a decision to print money in order to fund the programmes of works of government and expand the role of the public sector in order to initiate

growth. They were warned by officers of the Government, who have since told me, that this would lead to a massive inflation and in fact that there would be no real growth. That this would lead to pressure on the rate of exchange, as there would be considerable movement in the rate of exchange and that this would lead to substantial movement in prices.

"Nonetheless in their anxiety to get hold of money to carry out work programmes, they launched this growth model. Just as they were warned, the 'inflation model,' as it is called, ended up producing 50% inflation in that year. All the price movements that have taken place since the 1980s have not exceeded 30%. That model did not succeed in producing growth, which was the target, because the rate of inflation eroded all the positive growth and it ended up with negative growth.

### Pressure

"That model put tremendous pressure on the rate of exchange which was fixed and caused black markets to thrive and the rate of exchange to come under pressure from devaluation.

"Now, we are told that this same model is to be adopted. We are even forewarned that it will mean substantial increases in prices, which is a rather honest thing for them to do, because on the last occasion they didn't understand that it would have done so, and we are told that on this occasion they will fix the rate of exchange and that this will generate growth and all the things that they expected back in 1978 would materialise.

"These things cannot materialise because they are self-contradictory: you cannot have inflation with a fixed rate of exchange and positive growth without each one working in a counter-productive fashion against each other to result in negative directions and trends in the economy.

"It is as we suspected, that nothing has changed and, of course, the Leader of the People's National Party indicated this when he said that the foreign policy will be the same. The alternative therefore means the same foreign policy as before, the same dominance of Cubans, the same dominance of the leftist thinking, the same anti-American positions that have been taken in the past. The same things that we came to recognise as being against the grain of sensibilities and sensitivities of the Jamaican people.

"The alternative means a continuation of high prices and indeed higher prices because the model

to be adopted is an inflationary one. The alternative means running up the deficit again, after we have at great cost and sacrifice tried to reduce it. The alternative means the rebirth of the black market on a substantial scale as efforts are made to fix the rate of exchange, all the things that we have left behind, indeed the things that have caused us to have the struggle that we have today, a repetition of the past.

I guess that is why the leader of the People's National Party, Mr Manley, in an interview in London very recently, in answering the interviewer the question: 'Have you been drifting to the right?' replied: 'That's a cliché of analysis; where the policies of the party are concerned there is no change. If we are less strident, that is no bad thing. One hopes to God that we have learnt something about diplomacy and methodology, especially methodology. Some of the left have become less active with the departure of D.K. Duncan, but the difference in the party is more of style than of substance.' I don't think that I could have put it any clearer."

Chairman of the function was the Hon. Douglas Vaz, Minister of Industry and Commerce. Mr Eddie Shoucair, chairman of the fundraising committee moved the vote of thanks.

#### Stone on PNP Leadership

Kingston THE DAILY GLEANER in English 30 Sep 85 p 8

[Article by Carl Stone]

[Text]

SINCE the last quarter of 1982 and except for a short period after the Grenada events, the PNP has had the dubious status of being the majority party in the country in terms of mass support. For most of that period, however, the PNP has not exhibited any convincing image of leadership confidence.

The recently concluded 47th annual conference of the PNP was a significant milestone in more than one sense. For the first time since 1980, the PNP and its leadership are conducting their business as if they represent not just a shadow opposition but a real alternative to the JLP. The wide cross-section of Jamaicans who turned out in large numbers to hear Mr. Manley was reminiscent of the kinds of audiences that swept the PNP back into power in 1972.

Mr. Manley has certainly returned to the political scene with renewed

vigour and confidence that has set to rest any fears that his recent illnesses would seriously impair his leadership capability.

It was therefore not surprising that the PNP has seized the opportunity to renew the call for elections.

The PNP position is that it will allow Mr. Seaga his five year term (up to Oct. '85) after which the demand for new elections will be pursued with relentless and determined vigour.

But Mr. Seaga dare not call elections now when he trails the PNP by some 20% in the polls and would end up on the receiving end of the worst political defeat in the country's political history.

#### Double jeopardy

Uncle Eddie faces a serious double jeopardy. The longer he waits to call the elections, the worse his political stocks might get unless some economic miracle creates jobs



for the unemployed and begins to put some buying power in the hands of the poor. To call elections under pressure from Mr. Manley would destroy his image as a tough, resolute leader able to stand up to all sorts of pressures.

Indeed by demanding elections by December the PNP is perhaps guaranteeing that there will be no elections called within that time frame. That will give the party the time it needs to rebuild its leadership ranks, reconstitute its political machinery, get all its candidates in place and put its mobilisation machinery into full gear.

Lurking in the background, however, is a fear that desperate Uncle Eddie might just spring another surprise and try to catch the PNP unprepared as he did in 1983.

In spite of talk to the contrary neither party seems interested in having local government elections, now that Mr. Seaga has taken away all the money and power from the parish councils.

For the JLP local government elections could be severely embarrassing as the party is likely to get wiped out at the polls.

For the PNP local elections might be a drain on their all too meagre financial resources that might not be worth the effort since no patronage resources will be forthcoming to pass on to activist supporters.

If the PNP were all that keen on these elections that party would have accepted any seat number proposed by the JLP to reduce the delay in setting new boundaries and get the election time on the agenda. As it is now neither party seems keen to break the deadlock and the Electoral Advisory Committee is consequently paralysed because it can only proceed on bi-partisan consensus.

In any event 1986 is not going to be as quiet as 1984 and 1985. The PNP's new found confidence is going to begin to express itself in

visible forms of political activity, designed to make its presence felt, and to provide the strong leadership the majority of anti-government voters all over the country have been lacking. How far the PNP can push itself and the country from quietude into greater activism remains to be seen.

Mr. Seaga gives the impression that he has begun a personal political campaign. His visibility has increased. He has abandoned his desk bound administrative style and is moving all over the country as Mr. Manley did throughout most of his tenure in the seventies.

But Mr. Seaga has neither charisma nor the crowd appeal of a Michael Manley, and his policies have been an unfortunate casualty of the glut on the world market for bauxite.

No one anywhere could deny that his level of effort to hold the economy together matches that of any other leader of government we have had. But people judge leaders on results not on effort.

The PNP popular vote strength now stands almost on par with that of the JLP in its period of rapidly growing popularity in the 1980-81 period.

### Lost faith

But unlike the rural parishes where voters have swung from JLP to PNP, in the Corporate Area there remains a large body of voters who have grown cynical towards both parties, are not interested in voting and see few real benefits as likely to accrue from a change of government.

Although the PNP has a commanding lead over the JLP in the Corporate Area, almost 40% of these urban voters, (especially among the youth) have lost faith in the two major parties. The level of uncommitted voters in rural parishes is about a half of the level obtaining in the Corporate Area.

The political system has yet to deal with the dispossessed urban youth, and the trends emerging from our polls look ominously like my survey findings in the early 1970's when discontented urban youth had begun to drift outside of the party system.

PNP radicalism brought them back during the 1970's, but the party paid the heavy price of losing its traditional middle class support that was carefully nurtured during the NW Manley period.

The middle class that ran to the JLP in 1980 is now in a state of deep disillusionment and despair. Many are trying the Green Card solution. Others still look at Manley and the PNP with deep suspicion. The younger generation are rapidly losing hope. The PNP has yet to rally this large and important middle class support without which governing the country is likely to be a very difficult task.

The PNP's area of greatest evident weakness lies in the fact that there are not many new and dynamic young leaders rallying to the party's cause and offering hope of revitalised leadership firmly anchored on strong nationalist commitment.

The JLP style of public management has drained most of the idealism, commitment and nationalism from the Jamaican middle class. Submission to foreign domination, lack of self-confidence and the urge to get away from it all by migrating to the U.S. threatens the political parties' ability to renew their ranks of party leadership for the next generation.

The PNP's leadership problem is in fact the nation's leadership problem. By the time the PNP comes to power the depth of talent available to run the country is going to be seriously impaired.



## GLEANER Appraisal

Kingston THE DAILY GLEANER in English 30 Sep 85 p 8

[Editorial]

[Text]

The President of the People's National Party, Mr. Michael Manley, in addressing the Party's annual conference last week, outlined what he calls the Party's alternative economic and social plan to the current economic development course being pursued by the JLP Government. The set of alternatives, Mr. Manley stated, represents the PNP's prescription for taking the country forward into the twenty-first century. He, however, acknowledged that what "we finally may do or may not do" could not be predicted at this time.

Perhaps, recognising the importance of the IMF support as a funding agency, and in the attraction of additional international financing, Mr. Manley stated that the PNP administration would negotiate with the IMF to the point where policies were consistent with the Party's objectives. A main difficulty of the last PNP Government headed by Mr. Manley was its inability to accept the IMF's orthodox economic management prescriptions. The increasing dependence of Third World governments on IMF support has placed the Fund in an even stronger position, than in the 1970s, to prescribe fiscal formulae that any socialist Government is unlikely to find

unworkable. It is possible, however, that Mr. Manley and the PNP may have learnt a lesson from the problems it had with the IMF in the seventies.

But apart from the Party's apparent reversal of attitude to the IMF, the policies listed by Mr. Manley constitute nothing new. They serve to reinforce the Party's belief in a centrally-planned economy which, interestingly, even the main socialist countries are now discovering is destructive to industrial stimulation and growth. In advocating a fixed exchange rate the PNP rejects the current auction system as an efficient mechanism for the allocation of scarce foreign exchange. But, as the experience of the seventies had shown, a fixed exchange rate affects the competitiveness of Jamaican exports and, by extension, limited industrial expansion. The level at which the rate would have to be fixed, and the periodic devaluation which would follow, would drive away investment. Inflation would inevitably explode again to unparalleled heights, and with it a rapid decline in living standards.

The premise that international development capital, particularly from Western European socialist countries, would become more accessi-

ble to a new PNP Government is misplaced, and reflects a misconception of the international capital market. More and more the transfer of investment capital is being based on sound economic management as the creditor countries, or institutions, are concerned about ability to repay.

On domestic trade, the PNP alternative proposes a return to quotas and quantitative restrictions on imports, the same conditions which account for the inefficiency in industry, and have protected Jamaican products from competing with products even from the rest of CARICOM.

The policies pursued by Mr. Manley's government of the 1970s had very disastrous consequences for capital formation which almost disappeared. The recovery in capital formation by almost three-folds since 1980 can be attributed to a more conducive investment climate, one in which investors have more confidence. The proposed rebuilding of the public sector bureaucracy suggests that the formulators of the PNP alternatives appear not to understand that the country has a resource problem and that there can be no return to the printing of money, or to large budget deficits, sources of the disasters of the seventies.

# SOME JLP MP'S MAY NOT BE SEEKING REELECTION

Kingston THE DAILY GLEANER in English 1 Oct 85 p 3

[Text]

A number of sitting Jamaica Labour Party Members of Parliament have unofficially indicated that they will not be seeking re-election in the next General Election, according to the General Secretary of the Party, Mr. Ryan Peralto.

Meanwhile, two MPs have been absent from their constituencies and are reported to be off the island. They are Mr. Anthony Abrahams (East Kingston and Port Royal) who has been looking about his personal business abroad; and Mr. Christopher Rose (South West St. Andrew) who has reported ill.

Mr. Peralto who in an interview yesterday explained the absence of the MPs, said that Mr. Abrahams in his presence had worked out an arrangement for Mr. Detrick Smith (West Central Kingston) to overlook the affairs of East Kingston while he was abroad.

Mr. Peralto said that he did not know whether this arrangement was unconstitutional but, "what I know is the people's business has to be looked after."

He said that Mr. Abrahams, who returns to the island once a month, had explained that he needed time to organise his private life and resume consultancy services. This activity will keep Mr. Abrahams occupied

between Barbados and the Bahamas between now and the end of the tourist season.

Mr. Peralto said he knew that Mr. Rose was ill abroad for between seven to eight weeks, and he had been given an additional two weeks. Mr. Rose's absence would be a "short-term" situation, he said.

The JLP General Secretary, responding to a query on widespread absenteeism among other MPs in their constituencies, said that it was not a matter of absenteeism but that from time to time they have been on trips abroad.

In another development, Mr. Peralto said that there were a number of MPs who had "unofficially" indicated that they would not seek re-election in the next general elections. Some had said that it was time for the youth to take over while others (a number of new people) felt that "they had done their bit" and it was time for them to resume private business, Mr. Peralto said.

He said that he could not confirm that the Minister of Education and West Rural St. Andrew MP, the Hon. Mavis Gilmour was among the lot, but "people have been telling me about Mrs. Gilmour." No formal indication had been directed to him, the General Secretary said.

He noted however that two sitting MPs whose names he could not now disclose had taken their decisions and would make this known in two weeks.

JAMAICA

STONE ANALYZES POLITICAL TRENDS IN RECENT POLLS

Kingston THE SUNDAY GLEANER in English 29 Sep 85 p 10

[Article by Carl Stone]

[Text]

An instructive way of assessing the meaning of the recently published Stone Polls is to compare the popular vote support for the major political parties. That trend provides the most important indicator of the political mood of the country.

A crude index of the relative strength of support for these parties is the percentage difference (or majority) which separates them. This can be computed from the answers given as to which party citizens would vote for. The virtue of this indicator is that it ignores the uncommitted.

To simplify the trend we will present data mainly for the last poll done in the respective years since 1980, adding a few other significant data findings for other polls.

| Time of Poll   | Which party<br>in the lead | Size of simple<br>majority |
|----------------|----------------------------|----------------------------|
| October 1980   | JLP                        | 13%                        |
| May 1981       | JLP                        | 28%                        |
| November 1981  | JLP                        | 6%                         |
| October 1982   | PNP                        | 5%                         |
| October 1983   | JLP                        | 5%                         |
| December 1983  | PNP                        | 7%                         |
| September 1984 | PNP                        | 12%                        |
| July 1985      | PNP                        | 20%                        |

What this poll trend shows is that the JLP's majority increased massively in the aftermath of the crushing October 1980 defeat of the PNP. However, the majority declined rather rapidly in the second half of 1981.

By the end of 1982 or exactly 2 years after the JLP was swept into power the JLP's majority disappeared and the PNP became the majority party, in spite of its relative inactivity.

## Trend reversed

I don't think any other governing party in the history of this country had ever suffered such a rapid decline in popularity as Mr. Seaga's JLP.

The Grenada crisis rapidly reversed that trend in favour of the JLP as many voters feared that if power were passed to the PNP Mr. Manley could well suffer the fate of Maurice Bishop. The Grenada affair effectively revived the anti-communist issue.

What is most fascinating is how quickly that JLP advantage disappeared. By December 1983 the PNP's majority had returned but that was after Mr. Seaga had cleverly got his government re-elected without a contest. The country ended up with a one-party JLP parliament controlled by a party which enjoyed minority mass support.

The trend after 1983 reveals a steady increase of the PNP majority, moving from 12% at the end of 1984 to a commanding (and in my view) irreversible 20% majority by mid-1985.

## Election victory

Only the mid-1981 JLP majority exceeds this newly established PNP majority. The former reflects the decisive 1980 election victory and the post-election euphoria that accompanied it. The latter is indicative of the deep lack of confidence in the Seaga government that now pervades the entire country and of the gradual restoration of the PNP's credibility among the majority of lower income voters.

The trend in partisan leanings is the centre-piece of our polls. When we started way back in 1976 doing **Gleaner** polls that was in fact the only question we asked.

Since then two other types of questions have been added. Firstly, current issues that surface in the media and which have political significance. These issues change from poll to poll as the agenda of public debate shifts from subject to subject. Secondly, there are a few questions which we ask periodically to assist us in interpreting the country's political mood.

Although our question wording of these latter questions is rarely identical from poll to poll, their substantive meaning as demonstrated by validity checks does not change. These questions include ratings of party leaders, views on whether conditions are getting better or worse and so on. We do not ask these questions in every poll. Sometimes the questions are asked but never published because the purpose is to provide a validity check for another published question. The latter is done in order to ensure that we are publishing valid results.

Ratings of the Prime Minister's performance and the governing party's performance and views on whether conditions in the country are getting better, worse or are remaining the same are among the more important of these questions that we repeat periodically.

Here some interesting trends have emerged as can be seen from the following data.

|                | Rating of Mr. Seaga's performance |            |           |            |
|----------------|-----------------------------------|------------|-----------|------------|
|                | March 1983                        | Sept. 1984 | Feb. 1985 | Sept. 1985 |
| Good           | 18%                               | 15%        | 12%       | 9%         |
| Not bad/trying | 40%                               | 45%        | 26%       | 38%        |
| Poor           | 39%                               | 38%        | 59%       | 53%        |
| No Views       | 3%                                | 2%         | 3%        | 0%         |

An interesting trend emerges here. There has been a steady decline in the positive (or good) rating of Mr. Seaga's performance. Between March 1983 and September 1985 that unqualified positive rating has dropped some 50%.

## Positive rating

The qualified positive rating (trying or not bad) declined very significantly between late 1984 and early 1985 due to the impact of austerity policy measures. Since then it has improved due to Mr. Seaga's greater visible link with efforts to cope with the economic crisis (debt rescheduling etc).

The negative rating grew to large dimensions in 1984 and remains very high, although it has declined between late 1984 and mid-1985.

We did not ask any questions about whether conditions are getting better or worse in our July 1985 poll but there is an unmistakable trend emerging from earlier poll findings as can be seen from the following data.

### Views on whether conditions in the country better or worse than they were in the 1970's

|        | May 82 | Oct. 82 | March 83 | Feb. 85 |
|--------|--------|---------|----------|---------|
| Better | 53%    | 34%     | 32%      | 18%     |
| Same   | 24%    | 23%     | 24%      | 22%     |
| Worse  | 23%    | 43%     | 44%      | 60%     |

These responses provide the most eloquent commentary on the changing political mood of the country since the early 1980's. The majority which viewed conditions as getting better than they were in the 1970's has disappeared and given birth to a majority with the opposite view. 60% of the electorate now believe that life in the country was better under Manley in the 1970's.

CSO: 3298/058



JAMAICA

CONSUMERS GROUP, PNP CALL FOR BOYCOTT OF CHICKEN

Kingston THE DAILY GLEANER in English 21 Sep 85 p 24

[Text]

The National Consumers League (NCL) and the Peoples' National Party (PNP) responded Thursday to the increase in the price of chicken. The NCL called for a boycott of chicken and the PNP said Government must accept full responsibility for the increase.

The price of frozen chicken rose to \$4.94 per pound Wednesday, showing a 61¢ per pound increase.

A release from the NCL called on consumers to boycott chicken, "It (the boycott) was effective before, and the price has only gone up because consumers have once more started to buy chicken," the release said.

"Do not buy chicken at the new price," the League urged consumers saying they should "supplement the diet with peas and beans, and add bulk by the addition of fibre in the form of vegetables."

When last consumer resistance was advised in respect of the purchase of chicken the reaction, resulted in many hundreds of pounds of chicken

being left behind in supermarkets and producers had to embark on extensive marketing strategies in an effort to woo consumers to once more include the protein in their diet, the NCL said.

Miss Portia Simpson, president of the Women's Movement of the PNP in a release said that the Government should "accept full responsibility for the increase in the price of chicken meat."

Miss Simpson said that it was the auction and the consequent escalating and uncontrollable devaluation of the Jamaican dollar which had led to the increases in the cost of chicken production.

She said that the Minister with responsibility for Consumer Affairs, Mr. Douglas Vaz, should "stop defending his Government's economic policies — which had obviously failed — and begin to defend and protect consumers."

She said that the latest increase in the price would further depress consumer demand and, as was the case with Goodyear tyre company, result in reduced output, affecting the chicken farmers, the employment of workers in the major production companies and retailers.

CSO: 3298/058

JAMAICA

ECONOMIC REPORT NOTES GDP FALL, RISE IN TRADE DEFICIT

1985 Economic Slowdown

Kingston THE DAILY GLEANER in English 2 Oct 85 p 1

[Text]

**THE GROSS DOMESTIC PRODUCT (GDP) for the year 1985 may fall as much as 6 per cent. Firms may have to reduce import levels and cut back inventories, reduce receivables and turn increasingly to domestic substitutes. Further cuts in government spending are anticipated.**

These are highlights of the *Quarterly Economic Report* tabled in the House of Representatives yesterday.

The Report published by the Planning Institute of Jamaica for September 1985 reviewed the slowing down in economic performance for the year to June 1985.

The Report said: "It appears prudent at this time to widen the range of our forecast...given (a) the decline in tourism, relative to what was expected at the beginning of the year, (b) the decrease in world aluminium prices, and (c) the impact of the drought experienced earlier this year on the agricultural sector."

Regarding the 1985 GDP the Report said "...indications are that a somewhat higher fall in real terms may be experienced (ranging from minus 3 per cent to 6 per cent) if budget and balance of payments targets are to be met." To meet the balance of payments targets "...will require either an accelerated contraction in imports and/or a rapid increase in non-traditional exports and

tourism..."

The report warns that "...further fiscal and monetary fine-tuning may be necessary." It said fiscal fine-tuning may be necessary "...to reduce further government spending (to achieve) a further downward push on aggregate demand."

In addition, monetary fine-tuning may be needed "to bring about the kind of overall credit conditions consistent with the probability of reduced exports, as well as the anticipated decline in real domestic consumption."

The Report warns that "firms might well find it necessary to reduce import levels and cut back inventories."

In general the Report said: "There will be need for significant adjustments in organisational and financial structures in the medium term."

Kingston THE DAILY GLEANER in English 2 Oct 85 p 1

[Text]

The Adverse Trade Balance deteriorated by 139.4 per cent in the first half of 1985 compared to that of 1984. The month of June 1985 alone recorded a substantial trade deficit of US\$74.1 million.

Imports for the first half year are up by 4.7 per cent to a value of US\$588.6 million. To compound the deterioration exports for the same period are down by 32.1 per cent to US\$299.6 million, a decline of US\$141.9 million.

The rise in imports and fall in exports resulted in the worsening of the adverse trade balance which went up from US\$120.7 million in the first half of 1984 to US\$289.0 million for the corresponding period in 1985, an increase of US168.3 million which amounts to a deterioration in the adverse trade balance of 139.4 per cent.

The 4.7 per cent increase in imports was triggered by a US\$38.0 million increase in imports of fuel which went up by 23.0 per cent for

the first half. This was due to increased imports of crude petroleum and finished petroleum products. Fuel imports amounted to US\$202.8 million in the first half of 1985 compared with US\$164.8 million in the same period of 1984.

The substantial increase in fuel imports in the first half comes against the background of a rebuilding of inventories to normal levels in the petroleum sector, which were run down in the first half of 1984.

The substantial 32.1 per cent decline in exports was led by a 50.8 per cent fall in exports of Crude Materials, consisting primarily of Bauxite and Alumina. Crude Materials exports for the first half of 1985 fell by US\$156.9 million from the first half 1984 level of US\$308.9 million.

Miscellaneous Manufactured Goods exports continues to improve going up by 21.8 per cent, an increase of US\$4.3 million to US\$24 million.

CSO: 3298/060

JAMAICA

JAMAICAN DOLLAR CONTINUES SLIDE; PNP REACTS

FL181640 Bridgetown CANA in English 1533 GMT 18 Oct 85

[Text] Kingston, Oct 18--The Jamaica dollar has continued its relentless slide downward, losing a further 10 cents against the American dollar at the latest foreign currency allocation and parity fixing auction here.

The U.S. dollar was today being sold by commercial banks at J6.27 dollars, the clearing rate for yesterday's Central Bank auction at which U.S. 8.6 million dollars chased U.S. 2.2 million.

The Jamaican dollar is now worth 15.9 U.S. cents.

It was the 14th straight decline of the Jamaican dollar since the precipitous movement renewed in early September, and this latest triggered a new call from opposition People's National Party (PNP) leader Michael Manley for a change in economic policy.

According to the PNP, Manley, who is in Norway, warned that the constant devaluation brought about by the auction system was destroying the economy and sapping the morale of the productive sector.

The PNP has been calling for a fixed exchange rate and the allocation of foreign exchange on a priority basis, but Prime Minister Edward Seaga, who has deregulated the economy, is opposed to this.

Manley said in a message that the auction, devaluation and tight credit squeeze could not solve the economic problems. Jamaica exports had long become competitive, Manley said [as received].

At the start of September, it required J5.80 dollars to purchase one American dollar, but in seven weeks the cost has jumped 47 cents.

The business sector, like the opposition, has been calling for a stabilization of the currency to enable forward planning, but there is no unanimity on the scrapping of the auction, which has gone through several variations since the government initially devalued in November 1933.

The auction is not the cause of the relentless devaluations but is the end result of economic policy which encourages unrestrained demand without the resources to support such a demand, said Paul Thomas, president of the Jamaica Exporters Association (JEA). It is the terms of conditions of access to the auction which need to be revised, not the auction itself, he added.

CS0: 3298/060



JAMAICA

## SEAGA EXPLAINS REASONS BEHIND PARISH COUNCIL CUTBACKS

Kingston THE DAILY GLEANER in English 1 Oct 85 p 2

[Text]

Prime Minister Edward Seaga has offered two reasons for the ongoing scaling down of the functions of Parish Councils.

One of the reasons, according to Mr. Seaga, is that "many of the services that are being performed at local government level are also being performed at central government level (and) the country cannot afford to have two sets of agencies of the same one government performing the same services."

This, he said, was "a duplication which we can no longer afford and therefore we have to choose between which one will continue and which one will fall out."

Speaking at a special meeting of the St. James Parish Council on Tuesday, September 24, Mr. Seaga said the second reason had to do with the fact that "the local government services over the years — whether we like to admit it or not — has not shown a good record of performance in many years."

He recognised that to a certain extent, this had been due to the fact that the local authorities had been handicapped by the lack of funds.

He noted further that "to a certain extent local government is based on concepts that could never happen, and said it is time that we recognise this."

While noting that a number of services were being transferred to central government, Mr. Seaga spoke of the need for local authorities to contract out other services such as

markets and public cleansing.

He said: "The local government services, in the future, will be restricted to just a small number of areas which will be manageable by the local government Parish Council agencies." He explained that this meant giving Parish Councils a certain amount of work which they could manage and function properly and where it is now costing them money to operate a service for which a fee is charged or is being carried out in an inefficient manner, "we want you to contract those services out to private contractors."

Mr. Seaga underscored the importance of Montego Bay maintaining a clean profile, noting that because it was a tourist capital, "whatever we may put up with, visitors won't"

He said he looked forward to such a programme being implemented in Montego Bay where private contractors would be responsible for keeping the city clean. The council was also advised to ensure that lease agreements carry with them conditions of performance which, if not met, should result in a cancellation of such agreements.

"We're going to ensure that the bids that come in are properly assessed and that the decisions are made on the basis of a proper system of justice and fair play. We are not asking who you are; what we are saying to you is that if you do lease, and if you are successful you must do a good job in the responsibility that you have been given. If you can't do it you can't continue," the Prime Minister said.

JAMAICA

GLENER CRITICIZES SEAGA'S POLICY ON MEDIA

Kingston THE SUNDAY GLEANER in English 29 Sep 85 p 10

[Editorial: "Media Policy"]

[Text]

The Government's Media Policy announced by Prime Minister Seaga to Parliament and the Nation on September 4 falls woefully short of the Prime Minister's and the JLP's stated intent as set out in the Party's manifesto of 1980. That manifesto of which Mr. Seaga was the principal architect had correctly recognised that Jamaicans have "always exhibited a strong preference for privately owned media, and as a consequence attached more credibility to the views expressed in the privately owned media than those of the publicly owned media which they consider heavily biased in favour of government policies and programmes." That manifesto also saw political control of views and operations as one of the three main problem areas of the JBC. Indeed, it went further. It said that the JLP "does not favour public ownership or control... of Radio Jamaica."

As the Private Sector Organisation of Jamaica (PSOJ) said in its statement which appeared in the **Gleaner** on Friday, 'at the end of the Prime Minister's recent speech (announcing the policy) the government was left

owning all or a portion of eight broadcasting entities as it did previously. The government continues to own all of JBC, a part of the new entity to do the morning broadcast on TV, a part of the entity to broadcast on JBC FM, a part of the regional entities to broadcast over JBC's regional stations and a part of RJR AM and RJR FM.'

A media policy which allows a government, any government, to continue to own, fully or partially, or to control the island's broadcasting facilities in the way the present policy does is a major reversal of the JLP's policy. This is far from satisfactory, and indeed leaves those who are given leases at the mercy of a government which grants the licences, owns the facilities and has control over the news. In effect the government retains control over the JBC whilst presenting the people of Jamaica with a charade of a media policy which it claims will allow the private sector to participate in the ownership and operation of these services.

The policy gives the lie to Mr. Seaga's own statement

made in an interview published in the September/October issue of CLASS, a New York Black magazine, and reprinted in the *Gleaner*, that "we want to free the country from the extent to which the political directorate has manipulated the public broadcast media," and that he and the JLP had given "a solemn undertaking to wipe out those manipulations by putting them under non-political, impartial bodies."

The media policy, if it is allowed to remain in its present form, leaves the JBC open to the same manipulations from which Mr. Seaga in 1980 vowed to free the country. And the history of the JBC is replete with instances of such manipulations by the two political parties which have formed the government of this country. Neither party can deny that whilst it formed the government it has used the station to serve its own propaganda interests.

We would remind the Prime Minister also of his own statement on divestment delivered from Jamaica House in December 1980 that divestment "will include commercial

type operations as well as media, including RJR." We wonder what has happened since those heady days immediately after the November elections, when Mr. Seaga was still smarting from the effects of the misdeeds of the PNP's manipulation of the station, to have led to a change of heart.

Control of the electronic media by the Government, cannot be in the best interest of the country; cannot serve democracy and free and varied expression of views. It is patently at variance with the Government's stated commitment to the free enterprise system which it so loudly proclaims.

We must ask how it is that the Prime Minister has apparently failed to see that the government's ownership and control of JBC TV, AM/FM radio, three regional radio stations and its retention of its 25.1 per cent shareholding in RJR cannot be in the public interest.

Is this what the Jamaican people are to expect from a champion of free enterprise and free expression? We wonder!

JAMAICA

ALPART ALUMINA-BAUXITE COMPANY CONTINUES LAYOFFS

Kingston THE DAILY GLEANER in English 21 Sep 85 p 2

[Text]

Another 70 workers have been laid off at Alpart bauxite/alumina company as the programme of lay-offs caused by the closure of the plant in Nain, St. Elizabeth, continues. Another group is to go at the end of the month but it could not be determined on Tuesday how many of the approximately 400 workers remaining will be laid off then.

The 70 who were laid off on Friday bring to about 770 the number laid off since the company suspended operations on August 13, citing poor markets for alumina, which is made from bauxite. In the first stage of the lay-off operations, about 700 workers were laid off on Friday, August 23. Before its closure Alpart employed nearly 1,200 workers.

A spokesman for the company who stressed, on Tuesday, that a programme of lay-offs, not redundancies, was being carried out for the company, said workers would continue to be laid off in batches until December when a "bare minimum" of staff would remain to keep the plant ready to be brought back into operation should it be decided that operations should resume. Workers who have so far been sent home have been told that they may make contact with the company at the end of November to hear what the future of Alpart will be.

Those most recently laid off came from several departments including maintenance, production, personnel and mining, and several levels of the company's workforce.

CSO: 3298/059

JAMAICA

## SEAGA VOICES CONCERN OVER, VOWS TO FIGHT PROTECTIONISM

Kingston THE DAILY GLEANER in English 21 Sep 85 pp 1, 3

[Text]

The Jamaican Government will vigorously protest the threat of protectionism through all the forums in which it has a presence, Prime Minister Edward Seaga said yesterday.

Speaking at the Jamaica National Investment Promotion's (JNIP) Awards Ceremony at the Jamaica Conference Centre, in Kingston, Mr. Seaga said that with the advent of the Caribbean Basin Initiative (CBI), of the 19 countries which were beneficiaries Jamaica, with 75 projects, was the leader in the total number of new investments.

"In fact, the nearest country to Jamaica, in terms of total new investments, was the Dominican Republic, with 31, less than one half, followed by Honduras with 29 and Costa Rica

with 22. In terms of the U.S. value of these new investments, Jamaica also was the lead country with US\$48.28 million, capital investment, followed by the Dominican Republic with \$43.95 million and Costa Rica with \$43.03 million.

"In job creation, however, the Dominican Republic has been able to create of those investments, some 9,800 new jobs, Jamaica 4,600 and Costa Rica 4,400.

"Of the projects established in Jamaica, 25 of the 74 were in the garments sector, which continues to show a very strong interest and a very strong involvement in Jamaica.

"The prospects, however, would be better, if we did not have impediments in our own system which we are hoping to erase. But the prospects would certainly be better if, there were not impediments in the investments decision-making in re-

spect of foreign investment arising out of the growing protectionist pressure in the U.S. Congress.

"This protectionist pressure, which is now gaining ground in the U.S. Congress, is impacting on the garment industry, the ethanol (industry) and in other areas where investors must be asking themselves, who is next?

"Certainly, in respect of the garment industry, we could be the recipient and beneficiary of far more investments, if there was not the threat hanging over our heads of foreclosures on quotas. Likewise, the question of ethanol, is one that is, to a certain extent, unresolved because of Congressional Bills which threaten to curtail imports.

"The Government of Jamaica, therefore, intends to vigorously protest this growing trend in all the forums in which we have a presence, and in all the conferences which we attend in which protest is appropriate, and through contacts at all level.

"We are encouraged, of course, by the stand taken by the President of the United States, who has vowed to resist this protectionist pressure and, who is certain to veto any protectionist legislation that comes to his desk.

"The U.S. Congress obviously wishes, on behalf of its members, to protect their own constituency interests. But, I think it should be realised that there is a wider constituency interest also, and that it is of their own export terms, because to the extent that we are unable to export to the U.S. market, we cannot earn the foreign exchange with which to import from that market place, and to that extent the interest of their own exporter constituency would be endangered."



JAMAICA

SEAGA CITES NEW LEGISLATION TO HELP MANUFACTURERS

Kingston THE DAILY GLEANER in English 28 Sep 85 pp 1, 3

[Text] Prime Minister and Minister of Finance and Planning, the Rt. Hon. Edward Seaga today announced that Legislation is now in effect to curtail "screwdriver type" manufacturing operators by putting out of their reach the duty concessions which manufacturers currently enjoy on imported raw materials.

This intention was announced by the Government through Ministry Paper No 12 tabled in Parliament on April 16 of this year.

Making the disclosure Mr Seaga said, "The idea is to remove the competitive advantage which the assembly--type manufacturers now undeservedly enjoy against the bonafide manufacturers imported virtually finished component parts under the guise of "raw materials." These "raw materials" required little or no further processing, only assembly, whereas the genuine manufacturers processed their raw materials in a manner that significantly transformed those materials, created far more employment than the assembly type manufacturers and developed a range of valuable skills within their manufacturing enterprises.

The Legislation identifies bonafide manufacturers as those whose manufacturing processes, in terms of the CARICOM Rules of Origin, would qualify the finished goods to receive preferential tariff treatment as genuine products of the Caribbean Common Market.

"Conversely," Mr Seaga said, "the manufacturer whose production processes failed to meet the terms of the CARICOM Rules of Origin would destroy his eligibility to receive the duty concessions which apply to goods imported as raw materials for use in a manufacturing process.

The Legislation applies to the manufacturer of the following goods unless these goods are being manufactured solely for export.

1. Domestic Household Appliances as follows:

- (i) Air conditioning units
- (ii) Gas Stoves
- (iii) Electric Stoves
- (iv) Bottle Coolers

- (v) Refrigerators
- (vi) Toasters
- (viii) Mixers (including cake mixers)
- (ix) Blenders
- (x) Electric juicers
- (xi) Electric water heaters
- (xii) Deep freezers
- (xiii) Counter top cookers
- (xiv) Electric fans
- (xv) Television sets
- (xvi) Radios
- (xvii) Electric irons

2. Miscellaneous manufactured items:

- 1. Clock and watches
- 2. Toys
- 3. Bicycle and tricycles
- 4. Motor cycles
- 5. Switchgear
- 6. Iron and steel reinforcing rods
- 7. Containers of iron or steel for compressed or liquefied gas
- 8. Galvanized iron or steel sheets and plates
- 9. Paper and paperboard cut to size or shape and articles of paper or paperboard
- 10. Headgear
- 11. Towels of textile materials

3. The following chemical and chemical-based products:

- (a) Cleansing and sanitising agents
- (b) Glues and gummed tapes
- (c) Paints, varnishes, lacquers, colours, dyes
- (d) Drugs, medicines and pharmaceuticals
- (e) Cosmetics, perfumes and toilet preparations
- (f) Articles of plastic
- (g) Insecticides, pesticides, fungicides, herbicides, and weedicides
- (h) Soaps, washing preparations, detergents, disinfectants

CSO: 3298/059

JAMAICA

HART TO VISIT AUSTRALIA FOR BAUXITE-ALUMINA TALKS

FL102224 Bridgetown CANA in English 2206 GMT 10 Oct 85

[Text] Kingston, Oct 10--Jamaica's mining and energy minister, Hugh Hart, is to visit Australia this month for talks with government and industry officials, focusing largely on the troubled bauxite/alumina sectors, the Australian High Commission here announced today.

Hart, who also holds Jamaica's tourism portfolio, will also have talks with Australian officials in that sector, the High Commission said.

He will be in Australia from October 26 to November 6, and according to High Commissioner Michael Landale, the Australians regard the visit as a highly significant one. It will be first visit by a Jamaican minister to Australia since Prime Minister Edward Seaga attended the Commonwealth summit in 1981.

Australia, like Jamaica, is a major producer of bauxite, but with its abundance of cheap energy its industry has not been ravished to the extent of Kingston's by the near five-year-old recession in the international aluminum market.

However, the world crisis in the industry is to be Hart's major topic for discussion during the official visit, the High Commission said.

He will meet with the Australian resources and energy minister, Gareth Evans, and Trade Minister John Dawkins. The Jamaican minister will also have talks with ministers of mines of the Australian states, as well as representatives of major mining companies.

During his tours of the Australian bauxite belt, Hart will visit a coal-powered smelter operation in the Hunter Valley of New South Wales, an operation that will be of interest to Jamaica.

The Jamaican Government has been attempting to encourage the bauxite/alumina companies here to convert to coal to reduce their big oil bills and to make the island's industry more competitive. However, the companies have been disinclined to make such investments at a time when the market is soft, and some have either pulled out of the island altogether or significantly scaled down operations here in favour of lower cost producers, including Australia.

The Jamaican Government is unable itself to raise the capital to finance the conversion in the bauxite sector, though the state-owned cement plant is currently undertaking such a project with an Inter-American Development Bank (IDB) loan.

The issue of coal is only one of the areas of alternative energy to Jamaican officials anxious to reduce the country's 90 percent dependence on expensive and imported oil. And the Australians say that Hart will be talking about this too and visiting a number of experimental projects.

The High Commission said that Hart would also discuss tourism with the Australian minister for sport and tourism, John Brown, and also call on the Australia Tourist Commission.

CSO: 3298/060

JAMAICA

#### BRIEFS

**PNP VICE PRESIDENT**--A new Vice President, Mr Robert Pickersgill, was on Saturday night elected to the line-up of four vice presidents of the People's National Party. Mr Pickersgill emerged winner over his newcomer opponent, Mr Horace Clarke who polled 473 against his 834. Mr Winston Jones did not seek reelection. Other vice presidents reelected are: Mr Seymour Mullings (975), Miss Portia Simpson (975) and Mr O.D. Ramtallie (690). With the election of Mr Pickersgill, the post of treasurer is now vacant. A treasurer will be elected at the next meeting of the party's National Executive Council. The candidates for that position are Mr Ken Witter, Mr William Issacs and Mr Frank Pringle. [Text] [Kingston THE DAILY GLEANER in English 23 Sep 85 p 3]

**PNP CHAIRMAN'S REELECTION**--Mr P.J. Patterson was on Sunday reelected Chairman of the People's National Party at the meeting of the Party's National Executive Council at the Ocho Rios Secondary School. Mr Patterson was first elected Chairman of the party in September 1983 and again served as Chairman from 1984-85. Mr Paul Burke who was also nominated for the post of Chairman received 21 votes to the 118 received by Mr Patterson. Mr Bobby Jones was unanimously reelected Deputy Chairman of the party. Elections for the executive for the party was also held and the eleven members of the party's executive are: Mr Carl Rattray, Ken Witter, Karl Marshall, Basil Gordon, Ken McNeil, Frank Pringle, Eric Sanderman, Horace Clarke, Mary Seivright, Minna Wilmott and Allan Dobson. The treasurer of the party will be elected tonight at the meeting of the party's executive at the PNP's headquarters in Kingston. [Text] [Kingston THE DAILY GLEANER in English 1 Oct 85 p 3]

**MANLEY TRIP**--PNP President Mr Michael Manley left the island Monday for London where he will join British Labour Party Leader Mr Neil Kinnock to launch the international policy report of Socialist International. The report, Mr Manley told a news conference, stressed increased assistance from First World socialist governments to like-minded regimes in developing countries. Mr Manley will travel to New York on Thursday for dinner with retiring Tanzanian president Julius Nyrere where they will discuss Southern Africa and the Nonaligned Movement. On Friday he will speak at a seminar organized by the U.S. Congressional Black Caucus on Caribbean economic problems and U.S. policies. He will talk with Jamaican groups while in the U.S. Mr Manley will go back to Europe in early October following meetings with editors of the NEW YORK TIMES. He will deliver a speech in Vienna on Third World problems at a function sponsored by the Third World Foundation. Mr Manley will hold



discussions with a Scandinavian leader and socialist parties on possible economic assistance to Jamaica. He will wind up his trip by attending the Bureau and Economics meeting of Socialist International October 14 to 17. [Text] [Kingston THE DAILY GLEANER in English 25 Sep 85 p 15]

WAGE PACT--Another union in the public sector, the Jamaican Workers Union (JWU), has signed an agreement with the Ministry of the Public Service (MPS), accepting the Government's wage offer. In a release, which was confirmed by the Minister of the Public Service, the Hon. Errol Anderson, yesterday, the JWU said it had agreed to an increase of 18% from July 1, 1985. There were also agreements on increasing the supper allowance from \$4 to \$6, an increase in taxi allowance from \$3 to \$6 as well as an increase in subsistence from \$24 to \$48 per day. [Text] [Kingston THE DAILY GLEANER in English 25 Sep 85 p 15]

RURAL JOB LOSSES--Hundreds of workers employed to markets in rural parishes are to lose their jobs as a result of the leasing of the markets now being finalised. Market fees are also likely to be hiked and vendors removed from sidewalks in efforts to raise more revenue and make the markets profitable for the lessees who are expected to bring in fewer staff than those existing now. This is in keeping with the lease arrangements being concluded in the Parish Councils in conjunction with the Ministry of Local Government. The GLEANER understands that while very few of these markets are now operated at a profit, the understanding is that they can make money if the staff is cut and management made more efficient and if fee collection is improved. Parish Council sources have also said that an increase in fees is likely as the fees now charged are ridiculously low based on rates set several years ago. According to sources in the Councils, the chief reasons that the majority of the island's markets are not making a profit is that they pay out too much in wages and receive too little revenue. The lessees are allowed to bring in their own staff and are expected to do so, Council sources have indicated. The number employed to the markets on a full-time and part-time basis amount to well over 500 and there is no guarantee that any of them will be reemployed by the lessees. In the parishes the number of persons in full and part-time employment at the markets range from a high of about 150 in both St. Catherine and St. James through about 75 to 100 in St. Ann and Clarendon to less than 15 in St. Thomas and Hanover. [Excerpt] [Kingston THE DAILY GLEANER in English 1 Oct 85 pp 1, 3]

RICE MILL--A new rice mill--the largest in the island--which is expected to save the country over \$2.9 million in foreign exchange by producing 54% of local rice needs, was officially opened last week by Prime Minister Edward Seaga at the Montego Freeport. Operated by Grains Jamaica Ltd., the mill is a joint venture between the Jamaican Government and Tailor-Cross Group, an American-based company. It is now operating at full capacity producing more than half the 70,000 short tons of finished white rice consumed here annually. The dehulled brown rice processed by the mill is imported from the USA through the Jamaica Commodity Trading Company at a cost of US\$50 less than imported prepackaged white rice. [Excerpt] [Kingston THE DAILY GLEANER in English 1 Oct 85 p 16]

CSO: 3298/061

MEXICO

BRIEFS

LOPEZ-PORTILLO OCCASIONAL RESIDENCE--The members of former President Jose Lopez-Portillo's family are scattered all over the world even though the former chief executive built homes for all of them on Cuajimalpa hill. The four residences are supposed to be for the ex-president and his wife, Carmen Romano; two of his children, Jose Ramon and Paulina, and his mother Refugio. A grand family. But Jose Lopez-Portillo is the only one who lives on the hill when he is in Mexico. Jose Ramon has been in Rome since 22 December 1982, when he was named Mexico's permanent representative to the FAO. Refugio and her daughter Margarita live on Cumbres de Acultzingo Street, where the former director of radio, television and cinematography built two mansions on an 8,000-square meter lot, one for Refugio and the other for her sister Alicia, the former president's former private secretary. The mother has lived in Spain for years, however. When in Mexico City, Carmen Romano alternates between her residences in the Florida and Pedregal de San Angel districts. But she often takes extended trips abroad. Jose Lopez-Portillo's two daughters, Paulina and Carmen, do not live with him either. He spends most of the year in Europe, mainly in Paris, where Carmen lives with her husband Rafael Tovar y de Teresa, the Mexican Embassy counselor there, and in Rome. Family disunity is a fact of life for the man who as president praised family unity above all else on 6 January 1982. (Manuel Robles) [Text] [Mexico City PROCESO in Spanish No 464 23 Sep 85 p 22] 8743

DISCONTENT AMONG RAIL WORKERS--The Union Renovation Movement of railway workers announced last night that it would run legitimate candidates to oppose the people nominated by the "Hero of Nacozari" group in the upcoming elections in the Railway Workers Trade Union. The "Hero of Nacozari" group is headed by the former railway director and leader Luis Gomez Z. This is the first time in 26 years, the movement pointed out, that the ill-termed "Hero of Nacozari" group will face opposition. The Union Renovation Movement indicated that "we are not agitators or communists. We have been railway workers for a very long time and we will continue to work within the institutional norms and bylaws that govern us as active members of the STFRM [Railway Workers Trade Union of the Mexican Republic]." At a meeting of representatives of the five branches of the union (track, workshop, wiring, offices and trains) at Section 16 on Ponciano Arriaga Street, several workers protested the "automatic election" of union officer candidates like Jorge Peralta Vargas, Juan Manuel Fortuna Trujillo, Lorenzo Duarte, Benjamin Zarzoza Diaz and Enrique Oropeza Vazquez. They also complained that the current leader, Jorge Oropeza, and the STFRM

Executive Committee, which is not a genuine representative of the trade union, signed several agreements behind the workers' back, in particular the agreement concerning trains (machinists, stationmasters, foremen, etc). The pact provides for a 50 percent wage boost even though sectional assemblies unanimously called for a 100 percent increase because of the daily traveling expenses of workers on the job. "We are aware," the communique says, "of our priority commitment to cooperate with the Federal Government and with President Miguel de la Madrid, but the increase that we had requested is based on income that all of the railway system's workers have more than earned." [Text] [Mexico City EXCELSIOR in Spanish 27 Aug 85 pp 5-A, 28-A] 8743

NEW FORD SUBCOMPACT PLANNED--Hermosillo, Sonora, 17 Sep--Ford Motor Company will introduce a new subcompact station wagon in 1987, a move that will require changes on its assembly lines, the manager of the company, Paul Stanley, reported in Hermosillo. He added that Ford plans to build a production plant in the Hermosillo industrial park and that 2,850 people would be working in the various construction areas, only 10 percent of them foreigners. The manager of the Ford Motor Company said that \$550 million has been authorized for the construction and outfitting of the Ford plant in Hermosillo. The plant will officially start up on 3 November 1986, but next May it will put out a batch of 600 prototypes to test the market, Stanley reported. He reaffirmed that Ford's production program in Hermosillo is to assemble 2,000 vehicles in 1986 and 71,000 the following year. In 1988, he said, the plant is expected to put out 125,000 cars and in 1989, when it is operating at full capacity, 140,000 finished units. Stanley noted that the accuracy of the production forecasts would depend on market acceptance and demand, adding that some changes would be considered. He reaffirmed the company's offer to donate the first car produced in Hermosillo to the transportation museum that former Governor Samuel Ochoa established in the city of Navojoa. [Text] [Mexico City EXCELSIOR in Spanish 18 Sep 85 STATES section p 2] 8743

CSO: 3248/23

PERU

# NEWSPAPER URGES ECONOMIC DEVELOPMENT TO COUNTER TERRORISM

Lima EL COMERCIO in Spanish 3 Oct 85 p A-2

[Text] As we know, the central southern highlands have traditionally been the country's most economically depressed region. More specifically, the department of Huancavelica has the highest rates of relative poverty, as indicated in an excellent report drafted by the National Office for Evaluating National Resources (ONERN).

Huancavelica has an area of 2,107,896 hectares and is thinly populated. Yet, owing to structural problems, that is to say, a lack of incentives, administrative overcentralization and even the leniency of regional authorities, it has not tapped its vast natural wealth to enhance the quality of life for its residents.

For example, it has been established that very profitable use could be made of some 109,000 hectares for agriculture, more than 515,000 for livestock pastureland and 310,000 as timberland.

We should also not forget that Huancavelica is one of the largest alpaca-raising centers in the republic. It is also a major mining center, producing silver, lead, copper, zinc and gold, and that it has an estimated hydroelectric potential of 3,534 megawatts (17 percent of the nation's potential). Moreover, given its varied geography and the advantages of its cool but dry climate, national parks, reserves and tourist centers could well be established, thus attracting investors and a great many tourists, who would obviously make a real contribution to the economic recovery of this corner of our country, transforming it into a major development pole.

Furthermore, since Huancavelica is located in what is known as the Andean Trapezoid, which the present administration is strongly emphasizing, it must also implement financial recovery programs to resolve pressing problems such as health care, education and diet.

An economic recovery in Huancavelica is urgent for reasons of strategy and defense on the home front as well, inasmuch as terrorism has set up shop in some of its provinces by taking advantage of their age-old poverty and abandonment.

PERU

## ECONOMIC RECOVERY MEASURES TO COST 350 BILLION SOLES

Lima EL COMERCIO in Spanish 6 Oct 85 p A-10

[Text] How much will the measures that the government announced yesterday cost?

About 350 billion soles, Deputy Finance Minister Leonel Figueroa Ramirez indicated yesterday during the question-and-answer session that the economic team had with specialized journalists.

The deputy minister emphasized that this sum of money would not have a major impact on the budget deficit forecast for this year.

Even with this infusion of money into the economy, the deficit would amount to 0.4 percent in the central government sector, he indicated.

It had previously been indicated that this figure was arrived at on the basis of the decision to pay back our creditors with the earnings from only 10 percent of our exports.

It bears emphasizing, however, that we will not pay our commercial creditors a single dollar during the second half of this year.

The 10 percent payments will begin as of February 1986.

This, of course, will free up funds to get our production machine moving again, in Figueroa's opinion.

EL COMERCIO asked the deputy minister why he thought that a recovery would begin soon.

Figueroa replied that inventories among wholesalers and merchants are running low, that the effects of the program will begin to be felt next month and that inflation will ebb.

When mention was made of Argentina, where a recovery is not yet in evidence, the special features and "specificity" of Peru's situation were cited; for example, Argentina has a very high inflation rate, while Peru's is relatively low.



Another question was: "What activities are going to be revived, the ones that use a great deal of or little foreign exchange?"

The country will make use of lines of external commercial credit that regional banks and financial institutions have offered, but the situation will be handled in accordance with the likely restrictions of international sources.

In this connection, the economic team cited the \$25 million loan from the Andean Development Corporation for the industrial sector and the \$250 million in short-term credit from international commercial banks.

Deputy Economy Minister Gustavo Saberlein had previously said that the recovery effort would be selective.

The meeting with the economic team, which was organized by the Change and Development Institute and the Friedrich Ebert Foundation, was inaugurated by the chairman of the Council of Minister and economy minister, Dr Luis Alva Castro, and took up the entire day at a Santa Clara hotel.

Alva announced the economic measures before being called away from the gathering by the president of the republic. The discussion then centered on the details.

Alva Castro was accompanied by Deputy Ministers Gustavo Saberlein, Leonel Figueroa and Belisario Esteves and advisers Raul Delgado, Milton Guerrero and Jose Salaverry.

Raul Delgado underscored that the government is helping nontraditional exporters by increasing the number of dollars they are free to use from \$15 to \$20 of every \$100 that they generate for the country.

Deputy Minister Saberlein announced that President Garcia has asked the distinguished statistics expert Graciela Fernandez Baca to reconsider her resignation at the outset of the new administration as director of the National Statistics Institute.

He also highlighted the successes of the first 60 days of the emergency program, such as the \$250 million decline in dollar holdings, the shift in liquid assets from dollars to soles, the drop in the inflation rate and the Central Bank's \$90 million increase in foreign exchange.

8743

CSO: 3348/65

PERU

COMMERCE MINISTRY OFFICIALS DISCUSS PRICES, FOREIGN TRADE

Lima EL COMERCIO in Spanish 29 Sep 85 Dominical pp 4-5

[Interview with Commerce Minister Cesar Atala Nazzal, Vice-Minister of Commerce Belisario Esteves Ostolaza, and Vice-Minister of Integration Javier Galvan Costa, by Manuel Cisneros Milla; date, time and place not given]

[Text] The price freeze and the frequent violations of it, as well as Peru's position on integration, were the subject of a dialogue between DOMINICAL and the minister in charge of those sectors, Cesar Atala Nazzal; and the vice-ministers of commerce and integration, respectively, Belisario Esteves Ostolaza and Javier Galvan Costa.

[Question] What role has the commerce sector been assigned under the government's current policy?

[Answer] To become a real tool for the country's economic development. In the short term, it is to take vigorous action to stimulate foreign exchange earnings through the sale of our products abroad, and to maintain the freeze on prices so that the emergency plan can be carried out in the interior of the country and attain its goal of lowering the rate of inflation.

[Question] As for foreign trade, particularly the requirement of import permits, can you justify or explain the reason for this measure, which is very susceptible to corruption?

[Answer] The use of the permit is a response to a need that has arisen at this time, during the emergency economic program. This plan has imposed a freeze on the exchange rate and prices, and has lowered the interest rate. All of these measures could have an impact on foreign trade by encouraging imports. The only way to control that is through prior licensing; if we tried to ban imports we could paralyze the country's economy, and if we raised tariffs we would violate the price freeze.

We should also bear in mind that when the emergency plan was first implemented, we did not know what the country's specific import needs were, so we did not know what could be prohibited without disrupting the productive apparatus. As for foreign trade, permits are a good tool for negotiating with third countries, because they give us some room to maneuver to gain better

access to international markets and thus promote both our non-traditional and traditional exports. In short, during this time of widespread protectionism, the idea is for the country to have autonomy in foreign trade and to be able to administer it to its own benefit.

[Question] But there is still the problem that this kind of measure is very likely to encourage corruption.

[Answer] That is undoubtedly a problem in itself, but there are ways of dealing with it very technically and quickly precisely to avoid the possibility of dishonesty. What we are doing is making the procedures more flexible and rational, and drafting regulations with very clear and specific criteria. For that reason, we have talked to representatives of all the sectors of production, agriculture, industry, fishing, mining, and so on, to provide a pragmatic solution to the problems that consumers of foreign goods face. We want to ensure that the measures adopted do not have a major impact on the price freeze or on costs or supplies.

[Question] You have said in one way or another that this measure is temporary. Is that assessment correct?

[Answer] Yes. Once the problem of the price freeze has been resolved and the economic program has been complemented with other steps designed to bring our economy back to health, then we will begin to eliminate some permits or limit the number of products subject to them. We will also begin applying other measures, such as bans and tariffs. It should also be noted that the permit is required for only a small number of products, not all imports.

[Question] What other positive results will be obtained with the application of the import permits?

[Answer] We will know what the real demand for imports is, and thus we will have a record that more accurately reflects our needs in this area.

[Question] How else will foreign trade be stimulated?

[Answer] We are going to negotiate directly with countries such as Argentina, Brazil, Mexico and the other Andean Group nations, with a view to drawing up trade packages and bilateral agreements to enable us to expand our exports. At the same time, we are looking into ways to improve the Export Certificate (CERTEX), and we are studying other mechanisms and means of financial support to boost exports.

[Question] In other countries, foreign trade institutes have even been established to deal with the problem that national producers for various reasons were not going abroad in search of markets for their goods. Will something similar be done in our country?

[Answer] Peruvian businessmen have indeed gone abroad, and they have found markets for their goods. Although they did not do so until 1970-72, after that time they obtained very significant results. For this reason, several of our products have gained international acceptance.

[Question] With regard to domestic trade, why do prices continue to climb? For example, the prices of spare parts for motor vehicles and of wood have gone up by nearly 100 percent in the last 30 days.

[Answer] The government alone cannot carry out the consumer protection program; it is up to all Peruvians. The population, especially consumers, must participate more actively. If those who violate the price freeze and those who make improper use of weights and measures or adulterate the quality of goods are not turned in to the authorities, the latter's work will always be deficient. No state agency is in a position to take on this task exclusively and cover all its dimensions.

[Question] Could you go into more detail about foreign trade?

[Answer] Yes. We will study the possibility of signing mutual trade agreements with other countries in the Andean and Latin American regions in order to supply our own needs and meet our import and export obligations. Also with regard to foreign trade, we will pursue a policy of complete coordination between producers and exporters so that we can find points in common that will lead us to an overall policy for our economic expansion. Foreign trade is a key element for reactivating and strengthening a country's economy.

#### Integration

[Question] What are the positive aspects of the integration process so far?

[Answer] First of all, one positive aspect of the integration process is that it has become another very important bond for communication and the effective exchange of experiences among the countries of the subregion. Moreover, intra-subregional trade expanded considerably between 1970 and 1982; in the latter year, it was valued at more than \$1.3 billion.

To be sure, because of the crisis in the external sector and the consequent recession in the domestic markets, this trade has fallen off substantially in recent years. This is one of our greatest short-term concerns, because we must find the means to make the recovery of trade a reality. On the other hand, these commercial ties, which exist primarily among private businesses, lead to better relations among them and open up the possibility of generating conversions, although they are still quite rare.

Other fields are opening up to community action, and this will undoubtedly enable us to join forces in dealing with matters that could be handled more effectively on the basis of joint action rather than relying exclusively on individual efforts. Thus, such cooperation has already occurred in some cases of technological research, investment promotion, food security, and others.

[Question] What are the negative aspects of this experience?



[Answer] Usually it is a question of projects or situations that have been blown out of proportion. This problem is mainly due to initial expectations sparked by the integration process that were unrealistic.

One of the aspects that may have prompted the most criticism was the idea of joint industrial planning. After a long period of negotiations, the countries involved gave each other opportunities to invest, but few of these investments were actually carried out or yielded success. This certainly weakened the process, especially since industrial planning was considered one of the key instruments of the Agreement.

Another adverse element arose because the Cartagena Agreement was conceived during a time when the countries' economies were in less straightened circumstances. Adequate precautions were not taken, and no progress was made in the design of mechanisms that could have counteracted an economic crisis such as the one that has beset the countries of the subregion in recent years.

The incorporation of trade restrictions, whether covert or overt, has been common in recent years, and has also added an element of mistrust in the business sector. This problem has led to increased competition for markets that are now quite small.

It should be noted, on the other hand, that some community institutions are bearing fruit, and are responding to a genuine effort at integration. One example is the Andean Reserve Fund, which has provided a timely solution to the member states' balance of payments problems with its available resources. There is also the Andean Development Corporation, a development financing institution which has strengthened specific investment projects in various sectors.

Much remains to be done in the future, of course, and many corrections are needed, but we cannot ignore what have been its most successful elements and actions to date.

[Question] What will this government do to ensure that the objectives of the process are met?

[Answer] The 5th Meeting of the Council of Foreign Ministers of the Andean Group, which was also attended by the ministers in charge of integration in the subregion, reaffirmed these countries' political support for the integration process. For Peru, in particular, the fundamental aspects and objectives continue to be valid; but as was stated at that meeting, they must be strengthened by following pragmatic guidelines that are in tune with the subregion's present situation. In this regard, the government intends to participate with the rest of the countries in two major areas of action. The first is related to an emergency program to promote the revitalization of subregional trade and other cooperative actions to bring the Andean Group closer together. Secondly, in order to restore the juridical framework and make the necessary adjustments, steps will be taken to prepare a draft protocol to modify the Cartagena Agreement. This protocol will be discussed during the first 2 weeks of December this year. In this connection, for the purpose of streamlining the Agreement, the Andean Council and the



participating ministers set forth guidelines to revise and update the instruments of the Agreement and make them more flexible where necessary. In this way, a new stage can begin in the integration process. In short, the whole concept of integration and the instruments employed to make it a reality will be completely revised.

8926

CSO: 3348/39

PERU

## GOLD SEEN AS IMPORTANT FACTOR IN ECONOMIC REACTIVATION

Lima EL COMERCIO in Spanish 28 Sep 85 p A-15

[Text] Gold is one resource that is in a position to contribute to Peru's economic recovery, due to the high potential of gold deposits and the promising outlook for the international price of this metal.

For these reasons, the Mining Engineers' Chapter and the Peruvian Engineers' Society organized the forum titled "Gold as a Resource for Peru's Development."

The discussion dealt with various aspects of the exploration, exploitation, marketing and promotion of the yellow metal.

Jaime Sanchez, president of the Mining Engineers' chapter, stated during his opening remarks that because of the severe problems the mining sector is undergoing due to the deterioration in prices on the international market, it was felt that all the members of the Order should be called together to begin a reflective analysis of this situation.

He said that "we must not forget that gold has always been a refuge for capital when the dollar is weak. At this time we all know that the dollar circulating in the world is overvalued, but at some point its real value will have to fall. That will drive up the price of gold, and at that point, if we are a gold producing country, we had better be prepared."

He pointed out that the drop in the prices of metals on the world market has spawned a tremendous burst of exploration for precious metals, particularly gold. At the same time, gold mines are being exploited more because the average price of this metal has remained above \$300 per troy ounce.

"There are many unanswered questions about gold in our country," he noted, "such as whether we really have any possibility of significantly increasing gold production, whether the reserves that are inactive today have been depleted, what are the most appropriate mining techniques, what significance the gold mining in Madre de Dios has for the country, etc."

Another question is whether small-scale gold mining in the jungle can mean a considerable increase in manpower, and whether it can contribute any value-added to our production through the minting of coins.

#### Good Potential

Emilio Caballero, another engineer who served as a panelist at the forum, stated that Peru has a very high potential in terms of gold, but he cautioned that speaking of potential is not the same as speaking of reserves.

This fact entails the need to investigate and evaluate the deposits or areas with mineral reserves, and the state or the private sector should carry out that task.

If the volume of mineral reserves is known, more investment can be channeled toward the gold sector as an alternative. At present, investments in basic metal deposits are not considered attractive because the prices of these metals are low.

"The factors I consider necessary to carry out this task," he said, "are: first of all, we must have the specialized human resources; we need adequate financial reserves, which are in short supply today; we need physical resources (equipment and machinery) that are available at the right time; we must have the most appropriate infrastructure; and we need a good, well-planned organization."

#### Channeling Investment

He stated in conclusion that the mining engineers' obligation is to channel investment, both public and private, toward exploitation.

Alberto Manrique stated that in 1984, total gold production in Peru amounted to 6,200 kilograms (compared to 7,000 in 1982).

In his talk, he recommended that without neglecting the small miners, an effort should be made to promote the medium- and large-scale production sectors, whether in government-owned deposits (controlled by the Peruvian State Mining Enterprise and the Central Peruvian Mining Enterprise) or by attracting national and/or foreign private capital.

As part of the tax incentives that should be provided, the 2 percent commission charged by the Mining Bank should be eliminated, he noted. (The Bank has already offered to do this, but it has not yet been legislated.) He also proposed that a mining royalty for the Department of Madre de Dios be levied on the net profits of the businesses, not on the value of gross sales. This percentage can be increased when the price of gold exceeds \$400 per troy ounce, he stated.

#### List of Miners

Among the administrative incentives recommended was the maintaining of a list of the miners and mining companies that have imported tax-free equipment under

the Gold Promotion Act. After investigation, those who failed to meet their contractual obligations would be penalized.

Another suggestion was that Decree Law 22178 be fully enforced again. For this purpose, the subsequent provisions that modified or cut the benefits to genuine gold miners would have to be repealed.

It was also recommended that Article 133 of Legislative Decree 109, General Mining Act, be modified so that when contracts were signed with the government under Articles 156 and 157 of the General Mining Act, the companies and shareholders could continue to enjoy the income tax exemption accorded them by the Gold Promotion Act.

Finally, among the financial incentives proposed, it was recommended that part of the foreign exchange generated by the gold sales of a gold mining project financed with foreign resources be earmarked for paying the principal and interest on duly registered debts.

For this purpose, a trust account could be set up in a bank, which would be mutually agreed upon by the government, the borrowing company and the lending institution.

The Central Reserve Bank would also be authorized to intervene in the contracts signed pursuant to Articles 156 and 157 of the General Mining Act in order to guarantee the availability of foreign reserves.

Among the special recommendations for small-scale producers were: registering small-scale miners working in alluvial deposits, conducting a survey to map mining denouncements and concessions, monitoring the occupation of claims and making such claims contingent on the work done, raising the technical level of operations through professional consultation, preventing the depredation of areas through the use of improper methods, and dealing with the immediate financial difficulties of small-scale miners.

#### Inventory of Resources

As general measures, it was proposed that the abundant information that is disseminated by a number of different institutions working in the gold sector (the Mining Bank, the Peruvian State Mining Enterprise, the Geological, Mining and Metallurgical Institute, the Central Peruvian Mining Enterprise, the National Office for Evaluating National Resources, etc.) be centralized in a single department to prevent the duplication of efforts.

This department would be the appropriate entity to make an inventory of gold resources, investigate the correct mining techniques, and conduct an ongoing analysis of the relevant legislation in order to eliminate the barriers that impede the development of gold mining.

8926

CSO: 3348/39

PERU

## METHANOL SEEN AS FEASIBLE ALTERNATIVE TO GASOLINE

Lima EL COMERCIO in Spanish 29 Sep 85 p F-4

[Text] The development of a wood fermentation process to obtain methanol, which can then be used as a fuel for the automobile fleet, is a viable and attractive alternative in Peru, considering that the country is blessed with vast tropical jungles.

In addition, according to several World Bank studies, the costs of producing methanol from wood are highly competitive with the price of gasoline.

Methanol and ethanol production are two alternatives proposed by studies that are now being conducted by groups of researchers at the Graduate School of Business Administration. Their purpose is to seek a better way to deal with the possible lack of petroleum in the coming years, and to conserve petroleum now.

The studies indicate that agricultural products with possible uses as fuels pose new alternatives for the replacement of petroleum. This is especially true of products that have high concentrations of sugar and starch. Fermentation processes can convert these substances into methanol and ethanol.

In this way, gasoline can be partially replaced in combustion engines, and these products can also be used in the petrochemicals industry.

The possibility of making more intensive and efficient use of agricultural and forestry resources for the production of energy is seen as an easily implemented energy alternative for Peru.

### Agricultural Energy

Forestry and agricultural products are used today as sources of energy, and have been in the past; their share in overall energy consumption has declined in recent decades, however.

It may be recalled that early in the 1970s, energy consumption [as published] accounted for 30.2 percent of the country's total energy consumption; by 1981, that figure had dropped to 22.9 percent. The most important source in the



overall biomass was firewood, whose use of course has also declined in relative terms.

Among the agricultural and forestry resources that can be utilized in Peru are firewood and forestry wastes.

In the countryside, these resources are used on a large scale. The equipment used (stoves, burners, etc.) must be improved, however, so that they can be employed more efficiently and more benefit can be derived from concentrated energy.

As for charcoal, which is obtained by burning wood covered with dirt for several days, 50 to 90 percent of the wood's energy is wasted in this process.

Agricultural residues and wastes, which are inexpensive, can also be used in gas generators, cauldrons and biodigesters for energy production.

This kind of biomass is almost always put to use by the agricultural or livestock unit, and meets the energy needs of the rural sector.

8926

CSO: 3348/39

PERU

## NEW OVEN COOLING SYSTEM INSTALLED IN STEEL PLANT

Lima EL COMERCIO in Spanish 6 Oct 85 p A-16

[Text] Chimbote, 5 Oct--The recent installation and start-up of a modern cooling system in electric furnaces 1 and 2 at the Chimbote operations center will mean appreciable cost savings and improve the quality of the liquid steel that the SIDERPERU [Peruvian State Iron and Steel Enterprise] plant produces.

In the opinion of the technicians who performed the work in two stages and at a cost of \$1.4 billion, this significant technological advance will lengthen the useful life of the firebricks that line the inside of the two furnaces.

The most important part of the new system is the furnace cooling panels, which were installed in two stages under the direction of the planning and development office run by Cesar Martell Castro.

"To install the new system we had to disassemble the furnaces, after removing the arch, the mechanical part and the support column. We even had to install a new steel cylinder to replace the old one, which had become flattened," Martell, an engineer by profession, explained.

He also said that the firebricks in both furnaces used to have to be changed every 15 days, with the resulting shutdown of production.

Now, Martell added, the new cooling system should last at least a year before replacement, which will mean greater use of the electric furnaces and higher productivity.

Martell explained that the work was done in two duly planned stages. The first involved the design of the piping and the water lines, and the second, the fitting and installation of the panels.

"Except for the panels, which were imported, personnel from our enterprise handled everything, from the design of the plans to the manufacture and installation of the new equipment," he asserted.

We took care of putting in foundations, erecting the infrastructure and building huge water tanks, he went on to say.

We also installed several pieces of equipment, such as pressure pumps and their attachments, and set up three power boards, two switchboards and three signal boards, with their respective interconnections.

Martell noted that a group of Argentine technicians who checked out the work were pleasantly surprised by the advanced technology employed in SIDERPERU.

8743

CSO: 3348/65

PERU

#### BRIEFS

**MARINES REPORTEDLY KIDNAP WOMEN**--Eight marines, who reside in Lima and work at the U.S. Embassy in Peru, are responsible for the kidnapping of two young Peruvian women. The U.S. Army soldiers, tasked with embassy security, reportedly kidnapped and later raped the two women. The victims presented a detailed charge to Peruvian police. They claimed the soldiers forcefully placed them in a taxi that carried them to a residence in the vicinity of San Isidro where they were beaten, punched, humiliated, and raped. It was known that a top embassy official was involved, but he refused to comment on this shameful incident. [Text] [Havana International Service in Quechua 2200 GMT 17 Oct 85 PA]

**PRIME MINISTER ON IMF POSITION**--Peruvian Prime Minister Luis Alva Castro, also holder of the economy portfolio, said that Peru will not withdraw from the IMF, stressing that at no time did his government issue statements to the contrary. The statement was made only three weeks after the Peruvian president said at the United Nations that his country did not want to continue to be a member of the IMF if that organization refused to meet its demands regarding the reform of the monetary system. [Text] [Havana International Service in Spanish 1600 GMT 18 Oct 85 PA]

**RECENT GOVERNMENTAL APPOINTMENTS**--The following appointments have been made: Ministry of the Presidency: The minister of the presidency has named the commission that will draft the bill for the Organic Law of the Ministry of the Presidency. The commission will be chaired by the minister himself, and its members will be Enrique Rivero Velez, Manuel Rodriguez Zuniga, Cesar Garcia Agurto, Jose Ahumada Vasquez, Oswaldo Moran Marquez, Hernan Garrido Lecca Montanez, Osman Wong Larenas, and Oscar Del Rio Gonzalez (EL PERUANO, 9/25/85, page 38750). Agrarian enterprises: By means of a supreme resolution, a commission has been named to review all the administrative procedures that have been transacted at the national level with regard to changes in the enterprise model, especially the division of parcels in the agrarian partnership enterprises. The committee is to deliver its report within 60 days (EL PERUANO, 9/25/85, page 38768). Housing: Octavio Ganoza Pereda has been named president of the Board of Directors of the Trujillo Water and Sewage Service Enterprise (SEDAPAT), and Gustavo Pinillos Rodriguez has been named as a member. National Institute of Planning (INP): Jesus Santisteban Avila has been appointed to serve as representative of the National Institute of Planning at the Puno Departmental Development Corporation. [Text] [Lima EL COMERCIO in Spanish 29 Sep 85 p A-4] 8926

MASSIVE EMPLOYMENT PROGRAM INITIATED--More than 200,000 residents of our capital who are currently living in extreme poverty and are without jobs will start working through Popular Cooperation under the massive employment programs that the new government will set in motion very soon. It was learned that they will be employed to collect garbage, paint and disinfect homes and community centers and do reforestation work, mainly in uncultivated and sandy areas in slums. Daniel Carbonetto, an expert with the International Labor Organization, unveiled the project yesterday after indicating that the ILO is working together with the National Planning Institute (INP) to provide emergency aid to these people so as to raise their buying power. He revealed that half of the people in Lima have jobs, either in the public or private sector, while the other half do not have formal work. The informal economy sector accounts for 33 percent of the latter group, while 10 percent of the city's population is totally without work, and the remaining 7 percent are domestics. He indicated that an average of 200,000 residents of the Peruvian capital are living in extreme poverty within the informal sector and are openly unemployed. He added that the program in question is designed to support the National Planning Institute's efforts to combat urban and rural unemployment with all of the means at its disposal. [Text] [Lima EL COMERCIO in Spanish 3 Oct 85 p A-6] 8743

CSO: 3348/65



ST VINCENT AND THE GRENADINES

BRIEFS

WORLD BANK SUPPORT--Kingstown, Mon., (CANA)--Prime Minister James Mitchell, reporting on discussions in South Korea with the World Bank, says the institution has expressed satisfaction with the St. Vincent and The Grenadines Government's economic strategy. He told cabinet colleagues that during discussions with World Bank officials, they indicated they were pleased with the management of the economy since the New Democratic Party (NDP) Government took office in July last year. In its annual report released around March, the Caribbean Development Bank (CDB) said preliminary indications were that the Vincentian economy had grown by two percent in 1984 compared with an estimated four percent growth in 1983. The slowdown in growth reflected stagnating levels of output in a number of sectors, although there were production increases in others, the CDB had said. When Prime Minister Mitchell presented the Government's 1985-86 budget in July, he said the economy had grown in real terms at the average of 3.5 percent. The fastest growing sectors were agriculture, wholesale and retail trade and transportation. Mr Mitchell and the St. Vincent and The Grenadines economy came under close scrutiny by World Bank officials during the bank's annual meeting in Seoul. He reported that the bank did not request a change in Government's economic policies and was impressed with Government's decision to cut losses in the sugar industry. [Text] [Port-of-Spain TRINIDAD GUARDIAN in English 15 Oct 85 p 5]

CSO: 3298/062

END

**END OF**

**FICHE**

**DATE FILMED**

**10 DEC 85**